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HISTORY

OF THE

RISE, PROGRESS, AND PRESENT STATE OF

BANKING,

IN ALL PARTS OF THE WORLD;

IN WHICH IS DEVELOPED

AN ENTIRELY NEW PRINCIPLE OF CIRCULATING MEDIUM,

FOR THE

United Kingdom of Great Britain and Ireland.

AND TO WHICH ARE APPENDED

ALL THE ACCOUNTS ANNEXED TO THE EVIDENCE AND REPORT OF
THE COMMITTEE OF PARLIAMENT.

ON THE

BANK OF ENGLAND CHARTER,

IN THE SESSION OF 1832.

1. BANK, BANKERS, BANKING. The term bank has two distinct significations; one in reference to commerce, implying a place of deposit or store-house; the other relating to geography and rural economy, implying an elevation of the earth, either natural or artificial; and either below or above the surface of the water, in rivers as well as in the ocean. It is further a technical term in law; the judges of the supreme court of law, when sitting in judgment collectively, are said to sit in bank, banque, or banco. See JURISPRUDENCE. It is also a military term, denoting an elevation of earth within the parapet of a fortification, generally between two and three feet high, or more, according to the height of the parapet; being about four feet and a half

lower than the top of the parapet, three feet broad, ascended at intervals by steps, by which the garrison get up to fire on, or observe the proceedings of, the besiegers.

2. We will now proceed in the endeavour to illustrate the term bank, in conjunction with bankers and banking, as referable to commerce, by showing, 1st, the probable origin or derivation of the term; 2nd, the origin or rise, and nature of banking institutions; 3rd, their progress, practice, and present state, throughout the commercial world; and 4th, their influence and effect on the social and moral relations, and condition of mankind.

3. Bank, in its present application as a commercial term, appears to have had its origin in

Italy, where, in the infancy of European commerce, the Jews were wont to assemble in the market-places of the principal cities and towns, seated on benches, ready to lend money; first on the reputation and written bond or acknowledgment, singly or jointly, of borrower; but (as will be more fully shown hereafter), there is in the lending and borrowing of money an immutable tendency to demoralise and derange society, confidence and reputation soon became mere by-words; and, instead of bonds and written obligations, money was only lent upon the security of commodity or produce, by which localised places of deposit or storing became necessary; and hence, banking, in its origin, bore an analogy to our present system of pawnbroking; while the term bank is supposed to have been derived from the benches and tables in the market-places, at which the money-lenders used to transact their business; the Italian word *banco*, signifying a bench, derived probably from the Greek word *τραπέζα*, signifying both a bench and a table, as does also the Spanish word *banco*; in reference to which the money-lenders obtained the name of benchers or bankers; the Jews of Lombardy being among the first people in Western Europe who carried into practice the principle of lending money on the security of commodity; their repositories partially obtained the name of Lombard-houses.

4. The Lombards were a Scandinavian tribe, who first figure in history about the year 378; but it was not till 568 that they established themselves in Italy; at which period they made Pavia the capital of their kingdom. It must have been, therefore, subsequent to this period that banking institutions assumed any thing like a permanent character. Lending and borrowing, however, appear to have prevailed in all ages, or long before the intervention of money, to facilitate the interchange of commodities; and in all ages, as in the present day, appears to have been productive of extortion and social derangement: see the Mosaic code, Exodus, ch. xxii. v. 14 and 22, and Deuteronomy, ch. xxiv, v. 6 and 10, and by the narrative of St. Matthew, ch. xxi, v. 12, it will be seen that tables in the market or public places were in use in his day, for the accommodation of money-lenders.

5. The restless disposition of the Lombards tended to excite a spirit of activity and enterprise throughout all the Italian states; by which the people of those countries became the merchants' distributors of the products of Asia over all the western and northern parts of Europe. It was towards the close of the seventh century, after the Mahomedans had obtained possession of Egypt, that the chief depôt of the products of the east was transferred from Alexandria to Constantinople, and afterwards to Venice, that commerce began to resolve itself into a more regular system than had ever before been practised, and a methodical and demonstrative order of keeping accounts was devised and adopted. See **BOOK-KEEPING**. This, in the progress of time, elicited new ideas on the economy of payment; and about the middle of the twelfth century the bank of Venice, so long celebrated throughout the commercial world, and which may be regard-

ed as the foundation of the present system of banking was established; and had the operations of the bank of Venice been confined to the legitimate object of facilitating commercial interchange, its socialising capabilities would have rendered it worthy of the celebrity it so long enjoyed; but, whilst the principles of its economy are entitled to the highest admiration, it seems to have been established in tyranny, with a view to political aggrandisement, and throughout the whole course of its career to have been perverted to the worst of purposes.

6. It was the desolating system of the crusades, and not the socialising principle of facilitating commercial interchange, which gave rise to the bank of Venice. The first crusade embarked from the shore of the Adriatic, under the auspices of Pope Urban the Second, in 1095; and from the ascendancy and influence which the Venetians, by their extensive commercial intercourse, had then acquired over every part of Western Asia and Europe, they became the principal agents of the crusaders, as well for the wealthy individuals who embarked in those chivalrous exploits as for the several governments to which they respectively belonged. The fruits of extortion, so likely to result from such a system, excited the cupidity and avarice of the Venetian senate, which led, in 1176, some say in 1157, to the establishment of the bank, under the authority and pretended guarantee of the state, the crusading agency previously having rested exclusively with individuals.

7. The original subscription fund of the bank of Venice was 2,000,000 Venetian ducats, equal to £433,333; but, by a solemn edict of the senate, the whole trading community of the republic were compelled to deposit their money in the bank, with which a credit was opened equal to the deposit made, which could only be made available for transfer, so that not only the subscribed capital but also the aggregate amount of the deposits resolved themselves into a national debt. The whole amount of the intrinsic money, subscribed and deposited, having been applied by the senate towards aiding the views of the crusaders, and other external purposes, an ideal capital, or mere denomination of amount was thus created to adjust the operations of commercial interchange.

8. Whether the transfers at the bank in the early period of its establishment required personal attendance, as is the case in transferring the national debt-stock at the bank of England in the present day; or whether effected, on written orders corresponding to the checks in the present English practice of banking; does not appear: but, be that as it might, derangements in the social economy of the state soon ensued; the *agio* or difference between the current money, and transferable amounts at the bank, attained the rate of thirty per cent. Yet such was the insidious and illusive nature of the bank system, that the bank increased in popularity in proportion to the extent of the derangement which ensued; the inconvenience frequently occasioned in the minor transactions of commerce, as well as on occasions of citizens or strangers requiring money to defray the expenses of foreign journeys,

ted in the course of time to the bank paying out money. Yet such was the influx of money, which the crusading armaments brought from all parts of western Europe, that after the system of making payments in money was practised, the deposits always exceeded the demands.

9. At a later period, when the Venetians themselves turned crusaders against the Turks, the subscription-fund of the bank was increased to 5,000,000 of ducats; the whole of which was made use of by the senate, to aid them in their operations of warfare; and, as previously stated, throughout the whole period of its career, it was made an instrument of aggression in aid of political aggrandisement: yet such was the fortuity of circumstances, and, for several centuries having no rivalry, its integrity does not appear ever to have been questioned; the derangements occasioned by the fluctuation of the agio led ultimately to an edict of the senate, fixing it at twenty per cent., at which rate it continued up to the period of the extinction of the republic in 1797, see VENICE.

10. In the fourteenth century the Genoese began to rival the Venetians in their commerce, and in 1345 a bank was established at Genoa; but the more favorable local position of Venice retained for it an undiminished political importance, and although the Genoese were very successful in their commercial career, their bank, relatively to that of Venice, was an insignificant establishment; it nevertheless was enabled, in the fifteenth century, to advance considerable sums to Spain, and other governments; but in 1751 it was deemed insolvent to a very considerable amount, and in 1798 the establishment was finally dissolved and broken up by Buonaparte.

11. No further progress appears to have been made in the formation of banking institutions, until after the discovery by the Portuguese, in 1497, of the passage to Asia by the Cape of Good Hope; and even then, more than a century elapsed before another bank was established. It was at the commencement of the seventeenth century, when Amsterdam had become the chief mart of European commerce, that a bank was established in that city in 1609; and, as the circumstances which led to, and the conduct which dictated, the formation of this bank, appear to have been purely commercial and social, void of all speculative and political influence, and its economy essentially different from either those of Venice or London, it merits the most ample elucidation of the details of its system on our part, and the utmost attention on the part of the enquiring reader.

12. Banking, in its economy, resolves itself into three distinct orders of practice, viz. 1. of deposit, transfer, and agency; 2. of discount, simply; and, 3. of discount and circulation: a banking establishment may, therefore, be formed for carrying on either any one of these orders of practice separately, or two, or all collectively; and either, and all of them are liable to be made instruments of oppression by partial application, or by perversion to impolitic and bad purposes: a more ample elucidation of the details of each order of practice will appear hereafter (see section 14.), the analysis being exhibited in this

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place, that the distinctive character of the bank of Amsterdam may be the better understood.

13. The circumstances which gave rise to the establishing of the bank of Amsterdam, were the great variety of clipped and debased coins which its extensive commerce, at the close of the sixteenth, and commencement of the seventeenth century, brought into that city. The constant variations of value of these coins occasioned continual disputes and inconveniences in the adjustment of payments, more especially so in the payment of foreign bills of exchange; to obviate these disputes and inconveniences, it was, that the bank was established in 1607, on the legitimate and social principle of deposit, transfer, and agency; the security of the deposits being guaranteed by the corporation of the city, by whom its managers were appointed, and who thereby constituted themselves the agents of the establishment; the expenses of which, and its management, being defrayed by fees on opening of accounts, transfers, &c. This system or practice of banking, it will be seen, requires no subscribed or fixed capital.

14. The bank of Amsterdam received coins of all descriptions at a fixed value, according to their weight and fineness, deducting an amount equal to the expense of coinage into the standard coin of Holland; not that the various coins so paid in should be converted into standard coins, but that a credit should be placed on the bank books to such an amount, after the seignorage and fees had been deducted; the amount so credited then constituted bank-money. It was in the next place enacted, that all payments of 600 guilders, = to £52. 10s., in amount, and upwards, whether on internal or foreign account, should be made in bank money; and as these regulations immediately occasioned an agio or difference of value between bank-money and current money, it as immediately became compulsory on the part of every man of business either to open an account at the bank, or to subject himself to the caprice of a fluctuating agio, to enable him to make his payment through the medium of those who had an account.

15. The distinction between the practice of the bank of Amsterdam and the bank of Venice, is this, viz. That the bank of Venice appropriated its subscribed capital, as well as part of its deposits, to external purposes, and created an ideal sum by means of transfers to a corresponding amount, whereby to adjust the internal payments of the public; whilst the bank of Amsterdam retains its deposits within the walls of its own establishment; and when we come to treat of the practice of the bank of England, that will be found to present additional features of practice deserving the utmost possible attention, as well in reference to a comparison with the practice of the banks of Venice and of Amsterdam, as for the influence and effects of its own operations upon the general interests of the country at large.

16. In addition to the transactions of the bank of Amsterdam, as detailed in sect. 14, the bank also gives credit on its books upon deposits of gold and silver bullion, at the rate of five per cent. below the mint price of the bullion. In making these deposits, which are made more for

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safe keeping, and the view of reserving them for articles of merchandise, than for conversion into coin, the bank grants a receipt, or warrant, entitling the holder to take out the bullion again at any time within six months, upon transferring to the bank an amount of bank money equal to that for which credit had been given in its books when the deposit was made, and upon paying one-fourth per cent. for the keeping, if the deposit was in silver, and one-half per cent. if it was in gold; the receipt expressing, that in default of such payment, upon the expiration of the term of six months, the benefit of the receipt becomes forfeited to the bank, while the amount credited against the deposit resolves into bank-money; leaving a profit to the bank proportionate to the difference between five per cent. below the mint price, and the value of the bullion in the market.

17. This species of deposits are, in the first instance, more generally made when the mercantile price of bullion is so far below the mint price as to become an article of speculation, and the profits to the bank upon this branch of its business are considerable, by the forfeiture of some of the receipts; but more particularly so from the frequent renewals. The creditors of the bank, in bank-money, and the holders of receipts, are regarded by the bank as two distinct classes of creditors: hence the creditor in bank-money, having no receipt, cannot draw out bullion without first going to market to buy a receipt, nor can the holder of a receipt draw out his bullion, in the event of his having sold the bank-money assigned to him on making the deposit, without first going into the market to repurchase bank money, and reassigning the same to the bank.

18. In a city of extensive and complicated commercial interchange, like Amsterdam, these regulations of the bank necessarily occasion continued demands for both bank-money and bullion, and gave rise to a system of jobbing and trick, precisely similar to the jobbing and tricking in time bargains upon the stock exchange in London; and at one period the agio was wont to fluctuate from eight to ten per cent. To keep it within certain bounds, however, the bank of Amsterdam resolved at all times to grant 100 of bank for 105 of current money; or rather to sell bank-money at an agio of 5 per cent. In consequence of this resolution, the agio was prevented ever exceeding that rate; and the fluctuation now seldom exceeds $2\frac{1}{2}$ per cent. between $1\frac{1}{2}$ and 4.

19. In addition to the seignorage deducted on first opening an account with the bank in money, see sect. 14, a fee of ten guilders, = to 17s. 6d., is also charged; and for every renewed account, 3 guilders 3 stivers; for every transfer, 5 stivers, = 2d. $\frac{1}{2}$ of a penny, and in order to discourage a multiplicity of small transactions, if the transfer is for less than 300 guilders, the charge is six stivers; for neglecting to balance accounts regularly twice a-year, a fine of twenty-five guilders is exacted; and in case of attempting to overdraw an account, a fine of 3 per cent. on the sum so attempted to be overdrawn is also levied, in addition to setting aside the order. These several fees, fines, and deductions for seignorage, together with the profits which occasionally arise by the sale of bank-money, to

maintain an equilibrium in the agio, and the forfeiture of bullion receipts, produce a considerable revenue to the city, over and above what suffices to defray the expenses of the establishment. Public utility, however, and not revenue, was the original, and up to this time, has continued the ruling object of the establishment, and the revenue derived from it is the natural result of its invariable rule of practice, which, whether the best that can be devised or not, its certainty and impartiality has obtained for it the sanction and confidence of all who have been concerned in it.

20. How far the system or practice of the bank of Amsterdam approximates to perfection or utility will more fully appear as we proceed to illustrate the various practices of banking in England, and in other parts of the world. The direction of the bank of Amsterdam is vested in four reigning burgo-masters (aldermen), who are changed every year. Each new set of burgo-masters, on induction to their charge, are conducted to the bank, inspect the deposits, compare them with the books, and acknowledge the same upon oath, delivering it over at the end of the year with the same formal solemnity to the set which succeeds; and highly to the credit of the corporate body of the city of Amsterdam, both in its collective, and in its individual capacity, in reference to the direction of the bank, not only has no malversation been proved, but no imputation ever brought against them; nor have the political convulsions, by which Holland has at times been surrounded, and in which it has been involved, ever induced the bank to swerve from the strict rule of its established regulations; and such has ever been the confidence in the integrity of its director, that it has at times been the depositary of the money treasure of the opulent individuals of surrounding states.

21. Of the extent of the deposits of the bank of Amsterdam at different periods, the information is very imperfect; it may, at times, probably, have amounted to a sum equal to five, six, or seven millions sterling, and probably more, but on an average they probably have not, at past periods, nor do not at the present time, exceed three to four millions, or from forty to fifty millions of guilders.

22. As commerce extended itself over the north of Europe, banking institutions were established in different parts of Germany, but there were none that obtained any great celebrity, except those of Hamburg and Nuremberg. That of Hamburg was established in 1619, on principles, and for objects, not very dissimilar to those of Amsterdam, viz. those of deposit, transfer-agency and public utility. Instead of coin the deposits are made in silver bullion of a given fineness, against which credits are opened, either for transfer, or for withdrawing the bullion at pleasure, subject only to a trifling charge for deposit, or safe-keeping. The general practice of the bank of Hamburg is less formal, and more simple, than that of Amsterdam; and has been productive of great advantage to the city, and has maintained an unsullied integrity. The expenses of its management have been, and still continue to be, defrayed by fees, or transfers, &c. similar to those of Amsterdam. It was plundered of a considerable portion of its deposits by the

French general, Davoust, in 1813, a part of which were restored by the Bourbon government at the peace of 1815.

23. In 1635 the bank of Rotterdam was established, under regulations somewhat different in detail from those of either Amsterdam or Hamburg, but upon the principle of deposits, transfer, and agency.

24. About the sixth or seventh decenary of the seventeenth century, an individual of the name of Palmshut, in Stockholm, established a bank for the purposes of exchange, discount, and circulation; that is, he bought and sold bills of exchange, lent money at interest, and issued notes, which became a circulating medium, or token of interchange, for the amount they represented; naturally enough, although Palmshut originally possessed, relatively, great resources, derangement and embarrassment soon overtook him, but inflated with his notions of ideal wealth, he applied to the king, Charles XI., whom he induced to become his patron in the formation of a royal bank, which, under Palmshut's directions, soon obtained a general confidence; and, in 1688, the direction was transferred to the assembly of the states of the kingdom, the king declaring himself, and his successors, protectors of the bank, but renouncing all interference in the disposal of the money. The states being thus declared guarantees, proprietors, and directors, under the regulations which they established, the bank became a bank of deposit, discount, and circulation. Depositors were allowed interest at the rate of 6 per cent.; and the deposits, together with notes of circulation, appropriated to discounts, on collateral securities, at the rate of 8 per cent. The king's revenues were also deposited at the bank free of interest. The institution immediately became popular, and all who had surplus money, in every part of the kingdom, poured it into the bank, so that, by the close of the century, the interest on deposits had been progressively reduced from 6 to 2 per cent., and on discounts from 8 to 3 per cent.

25. Like all institutions founded on speculative principles, the bank of Stockholm was soon destined to experience a reverse of fortune, and to become an instrument of political perversion. The chivalrous exploits of Charles XII. led to such a drain of the intrinsic resources of the bank, during the four years, 1714—1717, the period of the king's residence in Turkey, after the battle of Pultowa, and when the corrupt and profligate Goertz was minister of finance, that the revenues usually deposited with the bank, were unequal to discharge even the interest, much less contribute towards any repayments. This dilapidation of the resources, and credit of the bank, led to the mortgaging of other revenues of the crown, and a declaration on the part of the king, that no further drain should be made upon the bank until its resources and credit were fully restored: these measures produced a partial reaction in favor of the credit of the bank; but it proved only temporary, until an expedient of the minister Goertz unexpectedly diverted all the disposable wealth of the kingdom into the bank.

26. Whilst the declaration and resolve of the

king to restore the resources and credit of the bank were adhered to, it deprived Goertz of the adequate funds to carry on his political intrigues, and to supply the king with sufficient means to maintain his regal importance; under these circumstances, he resorted first to fines and penalties, and ultimately to a species of confiscation, by demanding all the plate, jewels, and coin in the kingdom to be placed at his disposal, for which he gave copper tokens, representing ninety-six times the intrinsic value of the metal, (paper money in effect.) This measure led all those who possessed such disposable means to confide in the royal pledge, rather than yield to the exaction of Goertz. And they consequently in secret conveyed all their treasure to the bank. Goertz, chagrined at being thus disappointed, applied to the king and advised him to seize all the treasure deposited in the bank; but the king refused to comply, and prohibited Goertz from even making any proposal on the subject, contrary to the pledge which he had solemnly made.

27. This decision of the king reinstated confidence in, and fully re-established, the resources and credit of the bank, so that on the declaration of war against Russia, in 1741, the bank presented the king with a donation of 100,000 Swedish silver dollars, equal to about 7600, and supplied another 500,000 dollars, as a loan without interest, and subsequently to that period it frequently advanced considerable sums to the crown, and to the board of manufactures under the guarantee of the states.

28. The resources and credit of the bank being thus re-established, it was divided into two departments, *lane* and *wexel*, or loan, and exchange banks; the former corresponding in its practice with the practice originally established in Lombardy, (see sect. 3.) and precisely similar in principle to the practice of pawnbroking in England at the present day. Whilst the practice of the *wexel* or exchange bank, is that of deposit, discount, and circulation. The loan bank lends money on gold and silver bullion, copper, and its own stock, to their full value, at the rate of three per cent. and on three-fourths of the value of iron, at the same rate of interest; and on lands and houses at the rate of six per cent. four for interest, and two as a sinking fund, until the whole sum advanced is repaid. Jewels were at one time advanced upon, but the bank having once been defrauded to a considerable extent by them, resolved never again to make advances on those articles.

29. The *wexel* or exchange bank receives money on deposit, for which it allows two per cent. and issues notes, with which, together with its deposits, it discounts bills of exchange; this practice, which is the one originally pursued by Palmshut, (see sect. 24.) involves risk, and leads to certain loss; the issuing of notes, having no intrinsic value, sustains the loss as long as the notes retain confidence; but when that fails, derangement necessarily ensues, all this befell the *wexel* or exchange bank of Stockholm, within the short space of twenty-five years; and in 1766 the bank was on the verge of bankruptcy and final dissolution, when, by the interference of the

states, a loan of three millions of rix dollars, equal to about £700,000, was raised to liquidate the excess of notes in circulation; since the period of 1766 successive regulations have been resorted to, to preserve the credit of the bank, and a committee, composed of a certain number of persons from each of the three states of the kingdom, viz. the nobles, clergy and burghers, has been appointed, to inspect triennially the general state of the bank and its accounts.

30. Under the guardianship of the States, the wexel bank of Stockholm retains its place among the other institutions of the kingdom, but it has no importance externally, nor does the extent of its operations equal the operations of several private banking establishments in some of the provincial towns in England; it is the various kinds of practice of banking, however, and not the extent of the operations, which most demand attention; and on that ground it is, that the bank of Stockholm has here been enlarged upon, much beyond what the extent of its operations would otherwise have rendered necessary.

31. **BANK OF ENGLAND.**—We now come, in order of time, to treat of the bank of England; an establishment, whether considered with respect to the magnitude of its operations, or its influence upon the social relations of mankind, without a parallel in history; and from the period of its foundation, but more especially since the period of 1793, it has become so interwoven with the government, and the collective interests of the nation, as to render it difficult to treat of one, without entering largely into the details of the other. We will endeavour, however, to confine our elucidation of the bank, as far as it is connected with the government and the nation, as much as possible within the limits of those circumstances of the nation, in which the character and interests of the bank have been more immediately involved.

32. Although by its peculiar constitution, and terms of its charter, as well as in all the details of its practice, the bank of England appears to be an independent trading company, and although its operations combine all the various kinds of practice in banking (except the original one, of lending money on pledges,) viz. exchange, deposit, transfer, discount, agency, and circulation, and each and all of these, on a more extended scale than ever was, or perhaps ever will be, practised in any other establishment, it is, and ever has been, from its foundation, materially connected with all the financial operations of the government, and partakes therefore far more of a political than of a commercial character. This indeed has been considered by some writers and financiers an alarming excrecence on both our commercial and political systems. But we proceed to illustrate the progress of its career.

33. It appears to the writer of this paper that instead of desirableness and necessity dictating its origin, and instead of being founded like the bank of Amsterdam (see sect. 11) on the broad and social basis of public convenience and public utility, the origin of the bank of England was a mere project, which fortuitous circumstances alone have hitherto protected in an unexpected manner. The original

projector of this memorable institution was a Mr. W. Paterson, who, after numerous applications on the subject to the privy council, at length succeeded in the year 1693, in obtaining its consent to the project, and an act, 5th and 6th William and Mary, c. 20, for granting to their Majesties several rates and duties upon tonnage of ships and vessels, and upon beer, ale, and other liquors, for securing certain recompences and advantages in the said act, mentioned to such persons as shall voluntarily advance the sum of £1,500,000 towards carrying on the war against France! Section 19th of the said act, enacts that 'Their Majesties may make commissioners take subscriptions for £1,200,000. The sum of £100,000 to be annually appropriated to the subscribers;' and by section 20th it was further enacted that, 'Their Majesties may appoint rules for transferring, and make the subscribers a corporation by the name of 'The governor and company of the bank of England.'

34. Under the authority of the aforesaid act, subscriptions were immediately entered into, and before the 1st of Jan. 1694, the whole sum was subscribed, and on the 27th of July, in that year, the charter of incorporation was executed, its duration being limited to eleven years, viz. from the 1st of August, 1694, to the 1st of August, 1705, after which date the corporation was determinable upon twelve months notice, and repayment of the £1,200,000 advanced. At this time (1694), the rate of interest was 6 per cent. per annum; but by the terms of the contract for the above £1,200,000, the corporation were to receive 8 per cent. per annum, and £4000 per annum for management, or trouble of transferring and apportioning the interest among the numerous subscribers.

35. Such were the circumstances, and such the origin of the bank of England, neither of which it will be seen bear any analogy to the circumstances and origin of the banks of Venice, Amsterdam, Hamburg, or Stockholm; but before we proceed further in exhibiting the progress of the bank of England, it may be well to show what the state and practice of banking in England was, prior to the formation of that establishment; and when the circulating medium of the country was exclusively metallic. At an early period of England carrying on an external commerce, when she received from Holland and Germany almost every species of manufacture in exchange for grain and wool, and other productions of the soil and mines, England then had her loan banks, or Lombard houses, for lending money on pledges (see sect. 3), hence the etymology of Lombard-street, in the vicinity of the Royal Exchange, in London. At a more recent period the goldsmiths became the bankers, first, merely as places of deposit or safe keeping, and afterwards for discount; and for more than a century prior to the establishment of the bank of England, and circulation of paper money, the goldsmiths held the same rank and importance in commerce, and exercised similar functions, as the private bankers do at the present day. But the establishment of the bank of England did not merely divert the transactions of private deposit and discount into new channels, but it will be

seen, as we proceed, that it had the effect of changing the whole social economy of the state.

36. The Bank of England being established, the charter directed that its management should be vested in a governor, deputy governor, and twenty-four directors, to be elected by the holders of the stock, a clear possession of £500 of which for six months constitutes a qualification to vote, the qualification of a director being the possession of £2000 of the stock, of a deputy governor, £3000 of do. and of a governor £4000 of do. So far as we have here described the transactions of the Bank of England, it seems confined to the mere raising of a loan of £1,200,000, for the use of government, at 8 per cent. per annum, and which was in fact, the foundation of the FUNDING SYSTEM, or NATIONAL DEBT; to prevent enlarging upon which here, see each of those subjects under their respective heads, and in conjunction with them see also CIRCULATING MEDIUM, EXCHANGE, BILLS OF, EXCHEQUER BILLS, MONEY, PAPER MONEY, and TALLIES. Of the nature and extent of the practice of the Bank of England, in deposit, transfer, discount, and circulation, during the early period of its establishment, but little seems to be known; and, indeed, for some time, its transactions seem to have been very much confined to trading in the government securities, and notes of its own circulation. At the Exchequer, then, as is still the case, accounts were kept by tallies, similar to accounts of bakers in those parts of the country where the weight of the loaf varies, and the money price remains fixed; notches are cut in a piece of stick, to denote so many loaves of bread, the stick is split, the buyer holding one part and the seller the other, so with the accounts of money at the Exchequer of enlightened England, at the period of establishing the Bank of England, and so the practice continued in 1826.

37. The first and second years after the establishment of the Bank, these Tallies were a trading and speculating commodity, as stock and exchequer bills are at the present day, and such was the state of the credit of the nation at that time that the tallies were at a discount of 20 to 40 per cent. against the sealed notes of the Bank, and the notes of the bank at a discount of 20 per cent. against the standard coin of the realm. With the view of equalising these disparities of value between the bank and national securities, and the standard coin of the realm, an act was passed in 1697, 8 and 9 Will. 3 cap. 20, empowering the Bank to receive subscriptions for the enlargement of their stock, four-fifths in tallies, and the remaining fifth in Bank notes. The amount of tallies ingrafted under this act was £1,001,171. 10s. subject, like the original subscription to an interest of 3 per cent. per annum, and the charter was extended to the 1st of Aug. 1710. In 1708, another act was passed, 7 Ann. cap. 7, under which the bank further lent the government the sum of £400,000 without interest; thereby reducing the interest on £1,600,000 to 6 per cent. The Bank at this time held Exchequer bills to the amount of £1,500,000, which, with an arrear of interest of £275,027. 17s. 10½d., were cancelled (funded) at the rate of 6 per

cent. per annum. For these acts of condescension, the charter of the Bank was extended to Aug. 1, 1732, and the company authorised to take in subscriptions, to double their capital. In 1709 a call of 15, and in 1710 a further call of 10 per cent. was made, and in 1713 another act was passed, 12 Ann. cap. 11, extending the charter to Aug. 1, 1742, then, as before, determinable after twelve months notice, and repayment by the government, of all sums borrowed.

38. In 1717 another act was passed, 3 Geo. I. ch. 8, authorising the funding of a further amount of exchequer bills of £2,000,000, at five per cent. per annum; to which rate the interest on £1,775,027 was also reduced after midsummer 1718. In 1722, by another act, 8 Geo. I, cap. 21, the bank was authorised to purchase stock of the South Sea Company to the amount of £4,000,000, which stock bore an interest of five per cent. per an. but was reduced to four per cent. after midsummer 1729. To effect this purchase the capital was increased £3,400,000; and in 1727, pursuant to the act of 1 Geo. II, cap. 8, £1,000,000 of the £1,775,027. 17s. 10½d. funded in 1708, at six per cent, was paid off, and the interest on the £2,000,000, funded in 1717, reduced from five to four per cent. and under the authority of the same act; in 1728, £1,750,000 was further advanced to government at an interest of 4 per cent.; and, in the following year, pursuant to the act of 2 Geo. II, cap. 3, the remainder of the £1,775,027. 17s. 10½d. funded in 1708, together with £500,000 of the amount funded in 1717, was paid off by the government; who borrowed, under the authority of the said act, the sum of £1,250,000, at an interest of 4 per cent. per annum from midsummer 1729.

39. In 1738 another act was passed, 11 Geo. II, cap. 27, authorising the paying off a further portion of the bills funded in 1717, to the amount of £1,000,000; and in 1742, by the act of 15 Geo. II, cap. 13, £1,600,000 was advanced to government without interest, on condition of the bank being authorised to increase their capital stock, and the charter being extended to Aug. 1 1764. The capital stock was accordingly increased £840,004. 5s. 4d. The pretension set up in reference to this £1,600,000, was the reduction of the rate of interest on the original £1,200,000, and the £400,000 advanced in 1708; by the receipt of which latter sum the interest on the £1,600,000 was reduced to 6 per cent.; and, by the receipt of a corresponding sum without interest, it made the interest on the £3,200,000 equivalent to 3 per cent. But this seeming reduction in the rate of interest is a delusion; for, however anomalous it may at first seem, as the rate of interest progressively became reduced from 8 to 3 per cent, the pressure of the exaction on the people, as will clearly appear hereafter, progressively and virtually increased. So far, therefore, from the £1,600,000 being entitled to be regarded as a boon to the public, it appears to us as neither more nor less than a bribe to reconcile an unsuspecting people to an extension of the charter.

40. In 1746 another act was passed, 19 Geo. II, cap. 6, authorising the funding of exchequer bills, issued in anticipation of the tax on licenses

for retailing spirituous liquors, to the amount of £986,800, at the rate of 4 per cent. per annum, and for authorising the bank to increase their capital stock 10 per cent. which was done in pursuance thereof. The total sum advanced by the bank to the government, now amounted to £11,686,800, and the capital on which the stockholders divided was £10,780,000. Of the amount advanced to government £3,200,000, (see preceding section) was at an interest of 3 per cent.; part of the bills funded in 1717 remained at 5 per cent. and the remainder at 4 per cent.; in reference to which, in 1749 an act was passed, 28 Geo. II, cap. 1, determining that from Christmas 1750 the interest on the whole £3,486,800 should be reduced to 3½ per cent., and from Christmas 1757 it should further be reduced to the same rate as the £3,200,000, viz. 3 per cent. Fifteen years now elapsed without any change in the terms of the charter, or accounts with the government, when in 1764, pursuant to the act of 4 Geo. III, cap. 25, the bank advanced £1,000,000 for two years without interest, and gave bonus to the

exchequer of £110,000, for the extension of their charter to the 1st of August 1786.

41. In 1781, pursuant to an act passed that year, the charter was further extended to the 1st of August 1812, and £862,400 more added to the capital stock, in return for the loan of £2,000,000 for three years at 3 per cent.; and in 1800, pursuant to an act of 48 Geo. III, the charter was further extended to the 1st of August, 1833, on condition of advancing £3,000,000, for the service of the year 1800, on exchequer bills, to be discharged without interest in 1806. Such was the state of the bank of England in 1800 in reference to its permanent advances to the government and extent of its permanent capital, which we will here briefly recapitulate. In the session of parliament, 1822, an account of the total amount of debt due to the bank of England, distinguishing funded from unfunded, the periods when contracted for, &c. &c. was laid before the house (paper No. 190), which, up to the period of 1746, will be seen to correspond with the amounts previously enumerated, viz:

Anno.	Acts.		Amount.	
1694	5 W. & M. c. 20	Original Subscription	£1,200,000	
1697	8 & 9 Wm. c. 19	Ingrafted Tallies	1,001,171	
1708	7 Anne, c. 7	Exchequer-Bills cancelled	1,775,028	
		Advanced without interest	400,000	
1717	3 Geo. I. c. 8	Exchequer-Bills cancelled	2,000,000	
1722	8 ——— c. 21	Transfer from South-Sea Company	4,000,000	
1723	1 Geo. II. c. 8	Advanced	1,750,000	
1729	2 ——— c. 3	Ditto	1,250,000	
1742	15 ——— c. 13	Ditto	1,600,000	
1746	19 ——— c. 6	Exchequer-Bills cancelled	986,800	
		Total Sum advanced		£15,962,999
Paid off in				
1707	Ingrafted Tallies		£1,001,171	
1728	Part of £1,775,028		1,000,000	
1729	Remainder of ditto		775,028	
	And part of £2,000,000 of 1717		500,000	
1738	Further part of £2,000,000 of 1717		1,000,000	
				4,276,199
		Nett amount of permanent Debt in 1746, and as it stood up to 1816		£11,686,800

42. In 1816 a further advance was made of £3,000,000; and in 1823 a contract was entered into for the bank to advance the government the sum of £13,089,419, in thirteen irregular instalments, between the 4th of April, 1823, and the 6th of July, 1828, in consideration of an annuity of £585,740 for 44 years, from the 10th of Oct. 1823. The first of these transactions resolves itself into a bonus to the bank equivalent to from £7,000,000 to £8,000,000; the latter being to a certain extent a contingent transaction, may prove disadvantageous to the public to the extent of from five to ten or fifteen millions, and under any circumstances that can possibly occur is equivalent to another bonus to the bank of at least

£2,000,000. The first transaction is simple and conclusive, and will be seen to involve moral as well as pecuniary features, demanding the very serious consideration of the public. The other is one of the most complex and equivocal transactions which the whole history of British financiering, with all its profligacy and tortuosity, exhibits since the commencement of war in 1793. A more circumstantial account of the nature of both transactions will be found in their order of time further on.

In the mean time, the following is a recapitulation of the augmentations of capital, on which dividends were made to the proprietors of stock, viz.

Anno.		Augmentation.	Aggregate.
1694	Original Subscription	£1,200,000	£1,200,000
1697	Ingrafted Tallies	1,001,171	2,201,171
1708	Doubled	2,201,172	4,402,343
1709	Call of 15 per cent.	656,204	5,058,547
1710	Ditto of 10 per cent.	501,449	5,559,996
1722	Additional Subscriptions	3,400,000	8,959,996
1742	Ditto Ditto	840,004	9,800,000
1746	Call of 10 per Cent.	980,000	10,780,000
1781	Augmented	862,400	11,642,400

43. And the following shows the rate and amount of dividends, per annum, at different periods, up to 1807, viz.

Anno.	Rate per cent.		Amount annually divided.
1694—1696	3 years 8	(actual)	£96,000
1697—1707	11 — 9	—	198,105
1708—1729	22 — 9 to 5½	(estimated)	450,000
1730—1741	12 — 6 & 5½	(actual)	520,200
1742—1746	5 — 6 & 5½	—	563,000
1747—1752	6 — 5	—	539,000
1753—	1 — 4½ & 5	—	512,050
1754—1763	10 — 4½	—	485,100
1764—1766	3 — 5	—	539,000
1767—1780	14 — 5½	—	592,900
1781—1787	7 — 6	—	698,544
1788—1806	19 — 7	—	814,968
1807—1815	9 — 10	—	1,164,240
1816—1823	8 — —	—	1,455,300
1824—1826	3 — 8	—	1,164,240

44. Thus, as stated in sect. 39, it is seen, that whilst the bank affects to lend the public its money at 3 per cent. per annum, the public, since 1807, have virtually been taxed at the rate of 10 per cent. to the extent of £1,164,240 per annum; nor is this all, for, by a return made to parliament in the session of 1819 (Paper, No.

347), in addition to the above exorbitant exaction, resulting from the illusive and peculiarly involved nature of the transactions of the government with the bank, it appears that the following sums were divided among the stock-holders as bonuses, viz.

Anno.		Amount.
June, 1799	10 per cent. on the £11,642,400 . . .	£1,164,240
May, 1801	5 — on ditto	582,120
Nov. 1802	2½ — on ditto	291,060
Oct. 1804	5 — on ditto	582,120
— 1805	5 — on ditto	582,120
— 1806	5 — on ditto	582,120
Total as Bonus . . .		£3,783,780

And profuse as all this may seem in favor of the holders of bank-stock, and oppressive as it must be to the public, it sinks into comparative insignificance when compared with the transactions of 1816 and 1823, the nature of which shall be elucidated by and by; it seeming first desirable to take a retrospective view of the transactions of the bank, independent of its permanent advances and augmentation of its permanent capital.

45. By the stat. of 6 Anne, cap. 22, it was

enacted, 'for securing the credit of the Bank of England, that no other banking company in England should consist of more than six persons, empowered to issue bills or notes payable on demand, or for any time less than six months.' And the act of 15 Geo. II. cap. 13, which extended the privileges of the charter to 1764, also enacted, that the acts of 7 and 12 Anne, and all other acts for determining the corporation, should be void; and that the governor and company of the bank should remain a body corpo-

rate and politic for ever, subject to such restrictions and regulations as were contained in the acts and charters then in force, and by the same statute it was also further enacted, 'that persons forging, counterfeiting, or altering, any bank-note, bill of exchange, dividend, warrant, or any bond or obligation, under the company's seal, or any indorsement upon it, or knowingly uttering the same, shall suffer death, without benefit of clergy;' and further, 'that the company's servants breaking their trust to the company, shall also suffer death, as a felon, without benefit of clergy.' The same statute also further enacts, 'that when at a court of directors of the bank, neither the governor nor deputy shall attend in two hours after the time appointed for business, then any thirteen or more of the directors may choose a chairman for the time for the despatch of business, and that such court shall be as valid as if either the governor or deputy-governor had duly attended.'

46. As stated in sect. 36, the information is imperfect as to the extent of the transactions of

the Bank of England in deposit, transfer, discount, and circulation, during the earlier period of its establishment; nor does it appear that the notes of the bank were ever at a discount against the standard coin of the realm after 1697, until 1798. In addition to the monies permanently advanced to the government, it was the practice of the bank to advance money in anticipation of the land and malt taxes; and to make other temporary advances on exchequer-bills and other floating securities; we have not been able to obtain any circumstantial account of the extent of these advances at an earlier date than 1777; from which period an account of advances by the bank to government on land, malt, exchequer-bills, and other securities, on the 25th of February on each of the twenty years preceding the 25th of February, 1797, was laid before parliament, vide Appendix, second Report of the Select Committee on the Expediency of the Bank resuming Cash Payments, 1819. Commons reprint, fol. 315, of which the following is a copy viz.

On the 25th Feb.	Land and Malt.	Exchequer-Bills.	Treasury-Bills.	Total.
1777	£4,912,000	£2,500,000	—	£7,412,000
1778	5,251,000	2,500,000	£2760	7,753,760
1779	5,682,000	2,769,000	15,664	8,466,664
1780	5,613,000	3,101,400	33,582	8,750,982
1781	5,517,000	262,230	49,541	8,188,841
1782	5,659,000	4,289,050	43,628	9,991,678
1783	4,962,000	4,662,200	4871	9,629,071
1784	3,901,000	3,641,000	23,853	7,565,853
1785	3,102,000	3,900,000	28,200	7,030,200
1786	2,307,000	4,303,200	24,672	6,634,872
1787	2,809,000	4,334,200	1696	7,144,896
1788	2,636,000	4,707,400	4299	7,347,699
1789	2,928,000	5,000,200	20,235	7,948,435
1790	2,882,000	5,006,500	20,468	7,908,968
1791	3,334,000	6,247,100	22,878	9,603,978
1792	2,802,000	6,636,600	26,999	*9,839,338
1793	2,698,000	5,939,600	52,359	9,066,698
1794	2,915,000	4,777,600	717,175	8,786,514
1795	4,291,000	4,329,000	2,117,491	11,114,230
1796	5,536,000	5,265,000	540,991	11,718,730

* The totals in each of the five last years include £376,739 lent out of the unclaimed dividends, without interest.

47. The earliest account of the amount of bank-notes in circulation which we have been able to obtain is the following, which was delivered to the House of Commons on the 18th of March, 1797, and exhibits the amount of notes in circulation on the 25th of February, in each of the ten years, 1787—1796, viz.

1787	£8,688,570
1788	9,370,350
1789	9,905,240
1790	10,217,360
1791	11,699,140
1792	11,349,810
1793	11,493,125

1794	10,699,520
1795	13,539,160
1796	11,030,110

As we are now approaching a most important period in the history of the transactions of the Bank of England, it will be well for the earnest enquirer after truth to bear in mind, that the notes in circulation up to the period of 1797, were convertible into gold on demand, at the rate of 77s. 10½d. per oz.; and when the above statement is compared with the preceding one, of the amount of the temporary advances to the government, and the following one, of the amount of cash and bullion in hand, and bills

discounted, it will be seen that the issue of notes appears to have been regulated more in reference to the amount of the temporary advances to the government, than to the means of paying them in gold on demand, as will be seen by the following statement of the amount of cash and bullion

on hand, notes in circulation, bills discounted and advances to government, on an average in the months of March, June, September, and December, in each of the five years, 1793—1796, viz.

	Cash and Bullion on hand.	Bills Discounted.	Average of Notes in Circulation.	Average of Advances to Government.
1793				
March . . .	£3,508,000	£4,817,000	£11,963,820	£8,735,200
June . . .	4,412,000	5,128,000	12,100,650	9,434,000
September . .	6,836,000	2,065,000	10,938,620	9,455,700
December . .	7,720,000	1,976,000	10,967,310	8,887,500
1794				
March . . .	8,608,000	2,908,000	11,159,720	8,494,100
June . . .	8,208,000	3,263,000	10,366,450	7,735,800
September . .	8,096,000	2,000,000	10,343,940	6,779,800
December . .	7,768,000	1,887,000	10,927,970	7,545,100
1795				
March . . .	7,940,000	2,287,000	12,432,240	9,773,700
June . . .	7,356,000	3,485,000	10,912,280	10,879,700
September . .	5,792,000	1,887,000	11,034,790	10,197,600
December . .	4,000,000	3,109,000	11,608,670	10,683,100
1796				
March . . .	2,972,000	2,820,000	10,824,150	11,351,000
June . . .	2,582,000	3,730,000	10,770,200	11,269,700
September . .	2,532,000	3,352,000	9,720,440	9,901,100
December . .	2,508,000	3,796,000	9,645,710	9,511,400
1797				
February 26 .	1,272,000	2,905,000	8,640,250	10,672,490

48. By the above statement, it is seen, that with £8,640,250 of notes in circulation on the 25th of February, 1797, £1,272,000 value of gold only remained in the bank, whilst the demand for gold continued daily to increase; under which circumstances, on the 22d of February, a committee was appointed by the privy council to investigate the affairs of the bank, which committee, on the 26th of the same month, reported, that the total assets of the bank, exclusive of the £11,686,800 permanent debt of the government (see sect. 40, 41), was £17,597,298, whilst the whole of the demands upon the bank amounted to only £13,770,390, leaving a clear balance in its favor of £3,826,908, exclusive of the permanent debt due from the government. Upon this report, the privy council instantly issued an order prohibiting the directors of the bank from issuing any more cash (specie) in payment, until the sense of parliament on the subject was obtained. From the statement of £13,770,390 being the amount of demands upon the bank, and £8,640,250 being the amount of notes in circulation, as per statement in the preceding section, it appears that the demands of depositors and other creditors must have amounted to £5,130,140; and in like manner, £17,597,298 being the whole of the assets, and £10,672,490 thereof consisting of claims on the government, £2,905,000 in bills discounted, and £1,272,000 in specie, it leaves £2,727,808 to be assigned to some specified items; including, no doubt the bank premises and probably some

other property in fief, in houses or lands, &c. &c. The transactions and state of the Bank of England, as detailed in this section, bring its history down to that eventful and important period when the peculiar nature of its connexion with the government first openly develops itself. To obtain a more comprehensive and distinct view of the subject, the reader will do well to refer to the journals and proceedings of parliament for the year 1797, and to examine the subject attentively, in relation to the nature and amount of the loans, and extent of the revenue and expenditure of the government at that period, as exhibited in Mr. Marshall's Statistical Illustrations of the Finances, Revenues, &c. &c. of the British Empire. See also the articles FUNDING, LOANS, SINKING FUND, and REVENUE, in the subsequent parts of this work.

49. It was on a Sunday evening that the order of the privy council, adverted to in the preceding section, was transmitted to the bank, and on Monday morning the following notice was published by the directors of that establishment, viz.

'Bank of England, February 27, 1797.

'In consequence of an order of his majesty's privy council, notified to the bank last night, a copy of which is hereunto annexed,

'The governor, deputy-governor, and directors of the Bank of England, think it their duty to inform the proprietors of the bank-stock, as well as the public at large, that the general concerns of the bank are in the most affluent and flourish-

ing situation, and such as to preclude every doubt as to the security of its notes.

'The directors mean to continue their usual discount for the accommodation of the commercial interest, paying the amount in bank notes; and the dividend warrants will be paid in the same manner.

(Signed) 'FRANCIS MARTIN, Sec.'

50. The consternation of the public at this notification was extreme, but as a proof of the secret workings and illusive nature of the system, a meeting was held the same day at the mansion house, at which the lord mayor (Watson), presided, when the following resolution was unanimously agreed to, viz. 'That we the undersigned, being highly sensible how necessary the preservation of public credit is at this time, do most readily hereby declare, that we will not refuse to receive bank notes in payment of any sum of money to be paid to us; and we will use our utmost endeavours to make all our payments in the same manner.' This singular specimen of subserviency to speculative expediency was signed by the lord mayor and all present, and ultimately obtained upwards of 3000 signatures. We will not here enquire what portion of their names have since been exhibited on the bankrupt or other lists of insolvency; but we must regard the consequences to have been the degradation of an alarming portion of the total population of the kingdom to the rank of paupers, with all the consecutive concomitants of demoralisation and crime.

51. On the same day (27th Feb.), a message was delivered from the king to both houses of parliament, to the following effect, viz. 'That an unusual demand of specie having been made from different parts of the country, on the metropolis, it had been found necessary to make an order of council to the directors of the bank, prohibiting the issuing of any cash in payment, till the sense of parliament could be taken on the subject.' In the upper house, Lord Grenville, who was then secretary of state for the foreign department, moved, 'That the communication from his Majesty should be taken into consideration the following day,' when in pursuance of the motion, after much circumlocution, Lord Grenville stated that he had two motions to submit to the consideration of their Lordships, first, 'That a humble address be presented to his Majesty, to return thanks for his gracious communication, and to assure his Majesty that he might rely with the utmost confidence on the wisdom of parliament, to call forth, in case of necessity, the extensive resources of the kingdom.' This was agreed to, nemine contradicente. The other motion was for 'The appointment of a select committee of nine lords, to examine and report on the outstanding debts against the bank, the state of the funds for discharging the same; the cause that rendered the order of council necessary, and which might justify the members of that house for taking the proper steps for the confirmation and continuance of that measure.' This motion gave rise to considerable discussion, in which the Duke of Bedford moved as an amendment, 'To leave out all that part which

related to the committee reporting their opinion on the continuance of the measure.' In support of which amendment, the Marquis of Lansdowne said, 'That noble Lords would do him the justice to recollect, that not one session had passed over, since the fatal commencement of the war in 1793, in which he had not, to use a vulgar but strong expression, bored their Lordships with his prophetic admonitions, and proceeded to illustrate the nature of public credit, by saying, that it was to the people of Great Britain, what the soul of man was to his body. It was pure soul: it was immaterial in itself, and yet it was that which gave to substance its functions. It was not property, for no branch of the body could call it its own. It was not the king's credit, nor was it the credit of parliament; it was public credit, which did not look to security alone as its basis, but which always connected security with punctuality.'

52. The shock which had been given to public credit, the noble marquis stated, proceeded from deep, progressive, and accumulated causes; causes which all thinking, all honest men, had long deplored, and which had grown to a head under the unhappy and ill-requited confidence which had so fatally been placed in the king's ministers. In endeavouring to ascertain the causes that had brought on the dilemma, one cause was manifest; the inordinate increase of expenses, of places, and establishments, in every corner of the empire, which had grown to a height beyond every thing that the mind could previously have conceived; it was, said the noble marquis, incredible and scandalous; the increase of fees, of salaries, of places and pensions, of new boards of commission, and new appointments of all kinds, had not only served to open all the gates of waste and profusion, but to beat down and destroy all the checks of control, and all the means of correction. Waste and extravagance had been systematised; one scene of abuse countenanced and protected another, and all the corners of the earth were witnesses to the ruinous waste of the treasures of the British people. In this strain, with unabated ardor, did the noble marquis continue to depict the fatal consequences which must inevitably ensue from the continuance of such a system, and concluded a most patriotic appeal to the British parliament, by calling upon his compeers to mark his prophecy, and not to disdain his counsel, while yet in time, for said his Lordship, if you attempt to make bank notes a legal tender, then credit will perish. They may go on for a time, but their end is certain ruin. The earnestness and force of this appeal drew the Lord Chancellor from his seat, to state, 'That he had deprecated the idea of forcing bank paper into circulation, by making it a legal tender, and he would take upon himself to say, that it then had never been conceived, that it would be wise or prudent to make bank notes a legal tender. After which, their lordships divided on the amendment of the duke of Bedford; twelve for, and seventy-eight against it. After which the original motion for a committee of enquiry was carried without a division,

53. Similar proceedings took place in the commons on the same day, where, in reply to

some observations by Mr. Fox, Mr. Pitt stated that perceiving some suspicions were entertained that the measure adopted for succouring public credit, was designed to be permanent, he assured the house, 'That nothing could be farther from his intention.' An amendment similar to that of the duke of Bedford, in the lords, was moved in the commons by Mr. Sheridan, which was rejected by 244 against eighty-six, when the original motion for a committee was carried without a division. On the 6th of March the lords' committee reported to the house that it was necessary to 'continue and confirm the measures already taken, for such time, and under such limitations and restrictions, and with such power of discontinuing the same, as to the wisdom of parliament might seem expedient.' And thus a system of paper money, without reference to any standard, either of value or quantity, was established, the duration and progress of which will appear, as the elucidation of the transactions of the bank is here further proceeded in.

54. On the re-assembling of parliament in November of the same year (1797), the committee of secesry, appointed to enquire into the expediency of continuing the restriction on the bank, reported, that the total assets of the bank, exclusive of the £11,686,800 of permanent debt due from the government on the 11th of November, was £21,418,640 (see sect. 48 for the amount on the 25th February preceding), and that the total amount of outstanding demands was £17,578,910, leaving a balance on that date in

favor of the bank of £3,839,730. The report further stated that the advances of government had been reduced to £4,258,140, and that the cash and bullion in the bank had increased to nearly £6,500,000 or upwards, or five times its amount on the February preceding; all this being true, it will be seen that the discounts of commercial bills must have been increased in the proportion of about £8,000,000 against £2,905,000, the amount in February, but it will seem, on reflection, and on comparison with the advances to the government, as exhibited in the appendix at the conclusion of this article, that the whole report was a singular misrepresentation of the facts of the case, to answer the purposes of the moment; at all events, it will be seen that both the temporary advances to the government, and issue of notes, progressively increased from the close of the year 1797 up to the peace of Amiens in 1802-3, and the following statement exhibits the progress and duration of that restriction, which the Lord Chancellor in the Lords, and the finance minister in the Commons, so solemnly declared was to be only temporary.

55. The first act passed, relating to the subject was dated the 3d March, 1797, 37 Geo. III, cap. 28, authorising the issuing of notes for £1 and £2 each; the amount of such notes in circulation on the 26th August of that year was £934,015; for the progressive increase of their circulation see appendix.

ACTS RELATING TO RESTRICTION.

Year of Reign.	Date of Act.	Purport and Duration.
37 Geo. III. cap. 45.	3d May, 1797.	Indemnity for order in council, and to continue during the following month of June.
— — — 91.	22d June, —	Extended to one month after the meeting of the next session of parliament.
38 — — 1.	30th Nov. —	Further extended to one month after the ratification of a definitive treaty of peace, which took place on the 25th March, 1802.
42 — — 40.	30th April, 1802.	Further extended to 1st March, 1803.
43 — — 18.	28th Feb. 1803.	Still further, to six weeks after the meeting of the next session of parliament.
44 — — 1.	15th Dec. —	Again, to six months after the ratification of a definitive treaty of peace.

This brings the history of the restriction down to a most interesting and important period of its operation; so far, it is important to understand, that notwithstanding the introduction of paper as a circulating medium, gold at the rate of 77s. 10½d. per ounce continued to be the legal standard of value, and such was the incongruity of British legislation at this period, that whilst landlords and other creditors were authorised by law to enforce payment in gold, the acts previously enumerated precluded the gold from being had, wherewith either to pay rents, or make any other payments; such however was the insidious working of the system, that up to the period of 1809 no derangement in the social economy of the state, resulting from such incongruity of legislation was perceptible.

56. In 1800 foreign gold coin commanded about 5s. to 7s. per ounce more than its equivalent value to British coin; but the short peace of 1801-2 occasioned a cessation of demand, and the price again became merely nominal. From March, 1804, to October, 1805, standard gold sold at £4 per ounce; and from October, 1805, to February, 1809, no price was quoted; in the meantime, however, all the gold coin of the realm had gradually disappeared (for the quantity coined in each year since the restoration of Charles II. in 1663, see Statistical Illustrations, folio 47, and the article MIXT in a subsequent part of this work), partly for internal purposes of manufacture and ornament, and partly in aid of the external purposes of the war; not directly and openly for that purpose but the excess of

bills drawn by the commissariat and other agents of the government, on account of the expenses of the war in different parts of the world, occasioned the bills to be drawn at a discount of 10 to 15 or 20 per cent. and at such depreciation, instead of being left to operate as mere extraneous equivalents of commercial exchange, they became an object of speculation against bullion, in reference to the standard price of gold in England.

57. To render the circumstances of this very interesting and important period of the bank restriction act somewhat more intelligible to such readers as are not practically familiar with the complicated involutions of exchanges, it may not be irrelevant to state (taking the mint of France as the means of illustration), that according to the mint regulations of England and France, twenty-five francs, twenty centimes in France are equal to £1 in England; but, in consequence of the excess of bills above adverted to, in May, 1809, the £1 English in France would not obtain more than twenty francs; consequently, as long as gold could be obtained in England at the mint price of 77s. 10½d. per ounce, it yielded a profit in France of upwards of 20 per cent. against that rate of exchange, but such a disparity of value, as might naturally be expected, excited a spirit of speculation and competition, which raised the price of gold to a premium equal to the discount on the bills. So that in May, 1809, gold commanded £4. 11s. per ounce; this disparity between the mint and trading price of gold excited an universal hubbub in every part of the country, and in February, 1810, a committee of parliament was appointed to enquire into the cause of the high price of bullion, and to take into consideration the state of the circulating medium, and of the exchanges between Great Britain and foreign parts. This committee sat from the 22d of February to the 25th of May, during which time it took the opinions of thirty different persons, whose trading transactions and influence were thought to be such as qualified them to throw much light on the subject; but whether ignorant of the combination of causes that did in reality produce the disparity of value, or whether selfish motives led them to conceal their better judgment, certain it is, that although much interesting matter-of-fact information is here and there interspersed through different parts of the evidence, as a whole, it is completely destitute of every thing like a solution to the question proposed. In proof of this conclusion see article EXCHANGE, in a subsequent part of this work; and in proof of the futility of the labors of the committee, and of the frivolousness of the evidence in a general sense, bullion continued gradually to advance, and the exchanges progressively to depreciate, until on the 18th September, 1812, gold commanded £5. 11s. per ounce.

58. Such an extreme disparity of value had previously excited every species of contrivance to collect gold, and was beginning to lead to such general derangements in the internal economy of the state, in selfish and avaricious individuals availing themselves of the point of law, which authorised them to demand and enforce payment in gold, in cases where by the nature of the obli-

gation, payment in current money only was implied, that on the 24th July, 1811, an act was passed, 51 Geo. III. cap. 127, to make the bank of England notes a legal tender in all payments, which by the act of the 38 Geo. III. cap. 1. (30th Nov. 1797), were only so in private transactions, after having been accepted as such, but which were ordered to be received as cash by all the collectors of taxes and duties. The title of the act for making the bank of England notes a legal tender, in conjunction with a consideration of the circumstances which led to it, is curious, and deserves attention. It is as follows, viz. 'For making a more effectual provision for preventing the current gold coin of the realm from being paid or accepted for a greater value than the current value of such coin; and for preventing any note or bill of the governor and company of the bank of England from being received for any smaller sum than the sum therein specified; and for staying proceedings upon any distress by tender of such notes.' To continue in force till the 25th of March, 1812, and no longer.

59. By another act in the following session, 52 Geo. III. cap. 50. dated 5th May, 1812, the preceding act was extended to three months after the commencement of the next session of parliament, and no longer; and by 53 Geo. III. cap. 5, 22d Dec. 1812, further extended to 25th March, 1814; and by 54 Geo. III. cap. 52, 4th May, 1814, to as long as restriction continues; 54 Geo. III. cap. 19, 18th July, 1814, restriction extended to 25th March, 1815; 55 Geo. III. cap. 28, 23d March, 1815, further extended to 5th of July, 1816; 56 Geo. III. cap. 40, 21st May, 1816, still further to 5th of July, 1818; 58 Geo. III. cap. 37, 28th May, 1818, again to 5th of July, 1819; 59 Geo. III. cap. 23, 6th April, 1819, restriction extended indefinitely; 59 Geo. III. cap. 49, 2d July, 1819, restriction limited to 1st of May, 1823; and in the interim the bank empowered to exchange bullion in quantities of not less than sixty ounces for their notes, between the 1st of February and 1st of October, 1820, at any rate between 81s. and 79s. 6d. per ounce; and from the 1st of October, 1820, to the 1st of May, 1821, at any rate between 79s. 6d. and 77s. 10½d. per ounce; and from the 1st of May, 1821, to 1st of May, 1823, at 77s. 10½d. per ounce; when gold coin again became a general circulating medium, and, as will be seen by the statement at the conclusion of this article, the £1 and £2 notes of the bank of England were withdrawn from circulation, and to meet this change in the circulating medium in the years 1821 and 1822, gold to the amount of £14,877,547 was coined at the mint. Such is the history of the bank restriction act, which in February, 1797, was in both houses of parliament so solemnly declared to be only a temporary measure, but which continued through a period of twenty-six years.

60. Preparatory to returning again to a gold circulating medium, a committee was appointed in each house of parliament, in 1819, to enquire into the state and affairs of the bank, with reference to the expediency of the resumption of cash payments, when, after taking the opinion of about thirty persons, the act of 2d July, 1819, 59 Geo.

III. cap. 49. was resolved upon, and in the course of the enquiry on the 31st of March, 1819, the bank exhibited the following account of the state of their affairs, viz. 'That the whole of the claims upon them on that date amounted to £33,948,560, of which £24,710,770 was notes in circulation, and £9,237,790 in deposits and other debts, against which their assets in cash and bullion, bills discounted, and government securities, amounted to £39,179,750, leaving a balance in favor of the bank to the amount of £5,231,190, exclusive of the £11,686,800, permanent debt of the government, as exhibited in sect. 41, and £3,000,000 added in 1816.' Flattering as all this may seem on a superficial view of the subject, and confident as opinion generally was, of the country having escaped the peril, so earnestly warned of by Lord Lansdowne, in sect. 51, a short period only elapsed before the effects of the system, spectre-like, returned in a more terrific form than ever. Preparatory to the return to cash payments in 1823, through the years 1821 and 1822, the bank had progressively diminished the issue of its notes from an average of £22,550,000 in December, 1820, to an average of £16,393,000 in December, 1822; a depression in the money value of all the products of industry, without any parallel since the commencement of the war in 1793, followed this diminution of circulating medium. But the ordeal of the experiment of paying gold on demand having been got over, the cupidity of avarice again began to operate, and notwithstanding the accession to the circulating medium of the £14,877,547 of gold coined in the years 1821 and 1822, the bank again showed a disposition to force its notes into circulation, so far, that instead of gold supplying the place of paper for six weeks preceding the 5th of January, 1825, the bank of England notes in circulation again exceeded an average of £20,000,000; and those of country bankers had increased from £4,293,164 in 1822, to £6,724,069 in 1824, and £8,755,307 in 1825.

61. The facility of raising money among individuals, which this redundancy of circulating medium afforded, gave rise to an extent of speculation, far, very far, exceeding the notable South Sea and other adventures at the commencement of the preceding century. (See the article COMPANY, in a subsequent part of this work, for an elucidation of the extent and consequences of the folly at both periods.) Towards the month of September, however, the speculations generally began to be considered equivocal in their results; the first perceptible shock to what is technically termed credit, was experienced on the 24th of October, in the suspension of payment of one of the most eminent commercial establishments in London, or the commercial world (Mr. S. Williams, an American). After this, a month passed away in gloomy suspense, till on the 25th of November an extensive banking establishment at Plymouth (Sir W. Elford, Bart. and Co.) was the next evidence of the unsoundness and impolicy of the paper money system. This failure strengthened the doubts of the stability of others, and suspicion falling on all the banking establish-

ments in the west of England, it produced in London such a demand for gold, as excited apprehensions for the consequences to which it might lead; in the meantime the bank of England had been progressively narrowing its issues, till the amount at the end of November was reduced again to £17,500,000. On the 9th of December the suspension of payment was announced of an extensive banking establishment at York (Messrs. Wentworth, Chaloner and Co.), having branches at three or four other towns in the county, and their own house of agency in London; consternation now became general, and the directors of the bank of England, who had, as we contend, contributed to bring on the derangement, by the facility which they afforded to get their notes into circulation, in discounting three and four months bills at 4 per cent. per annum, now as suddenly took steps which accelerated the derangement. On the 13th of December the following notice was issued, viz. :—

Bank of England.

'Resolved—That from and after the 13th instant, no bills or notes will be discounted under 5 per cent. per annum.'

62. This notification added considerably to the consternation: an extensive private banking establishment, deemed one of the most reputable in London, had previously suspended its payments, and on the following morning two others were reduced to the same alternative; it would be difficult, and at all events it would exceed due limits here, to describe the dismay and confusion that now prevailed; and with the view of endeavouring to allay the ferment, a public meeting at the Mansion House, as on the memorable 27th of February, 1797, took place on the 13th of December, 1825, when about 700 signatures were obtained to the following resolutions: viz.

'1. That the unprecedented embarrassments and difficulties under which the circulation of the country at present labors are mainly to be attributed to a general panic, for which there are no reasonable grounds; that this meeting has the fullest confidence in the means and substance of the banking establishments of the capital and the country, and they believe that the acting generally upon that confidence would relieve all those symptoms of distress which now show themselves in a shape so alarming to the timid, and so fatal to those who are forced to sacrifice their property to meet sudden demands upon them, which it is no imputation upon their judgment and prudence not to have expected.

'2. That it having been stated to this meeting, that the directors of the bank of England are occupied with the remedy for a state of things so extraordinary, this meeting will refrain from any interference with the measures of the directors of the bank, who, they are satisfied, will do their duty towards the public.

'3. That having the firmest confidence in the stability of the public credit of the country, we declare our determination to support it to the utmost of our power.

'4. That it is the opinion of the meeting that declarations of a similar description with the

present, in the country towns, where the banking establishments may appear to deserve them, may be productive of much benefit in restoring general confidence.'

63. Although it was generally believed that the bank of England had been drained of nearly the whole of its stock of gold, during the memorable week between the 10th and 18th of December; yet on an average of the five weeks between the latter date and the 22d of January, 1826, the issue of bank of England notes had been increased to £25,310,000.; and that this lavish experimental issue did not lead to the necessity of again resorting to a restriction Act, was owing entirely to circumstances not at all contemplated in the deliberations which led to the increased issue of notes, and which, in fact, seem to have been issued with very little calculation on the consequences to which they might lead.

64. Notwithstanding the declaration at the Mansion House, on the 13th of December, that the embarrassments and difficulties under which the circulation of the country then labored, were mainly to be attributed to a general panic, for which there were no reasonable grounds; according to a return laid before the House of Commons on the 27th of February, 1826; in the interval of the end of October, 1825, and that date, fifty-nine banking establishments, comprising 144 partners, had been declared bankrupt, about twenty others insolvent, and every succeeding week continued to add from seventy to 100 merchants, manufacturers, and traders, to the bankrupt list, and thousands to the lists of insolvency; whilst half a million of families in the several manufacturing districts were driven to the verge of starvation, in consequence of the destruction of confidence, and suspension of commercial operations, which the uncertain issue and uncertain value of the circulating medium in great part occasioned.

65. Having now brought the history of the bank of England from the time of its foundation down to the period of this sheet going to press, in May, 1826, in reference to its circulation, we will now proceed to bring down its history from sect. 44, in reference to its agency and connexion with the government. Sect. 34 shows that it originated in the raising of a loan of £1,200,000 for the use of the government, at an interest of 8 per cent. per annum, and £4000 per annum for agency; and that that transaction was, in fact, the foundation of the funding system, which has led to an extent and pressure of taxation without any parallel in the history of society, and which the bank of England has been the main instrument in occasioning. Sect. 42 shows the progress of the advances made by the bank to the government up to 1781; which advances, in addition to the interest, were all subject to a charge for agency; as was also all other sums raised by lottery, or borrowed by the government from individuals during the war, from 1702 to 1713, the total sum then amounting to £52,145,363. The terms of agency up to 1726 had varied according to circumstances, at which time it was fixed at £360 per million, afterwards increased to £562. 10s. per million; after the peace of Versailles in 1782, when the total sum

amounted to £249,000,000, the terms were reduced to £450 per million, at which rate it continued up to 1807, when it was reduced to £340 per million, on £600,000,000., and £300 for every million above that sum; during the exaction of the property tax, the bank received at the rate of £1250 per million, on such portions of the tax as were paid in to the bank direct, and £805. 15s. 10d. per million on about £600,000,000 paid in on account of loans between the 1st of February, 1793, and the 5th of January, 1823; these several charges (including £4000 to £6000 per annum for management of lotteries), and most of which charges are likely to continue, at all events up to the period of the continuance of the charter in 1833, since the commencement of the present century, have averaged about £275,000 per annum.

66. Independently of the above species of agency, subject to specific charges, the whole receipt of taxes of Great Britain passes through the Bank of England, which, since 1803, have averaged upwards of £50,000,000 per annum; upon this branch of its agency the bank makes no direct charge, but as each separate department, paymaster, or accountant of the government, upwards of fifty in number, has its separate account at the bank, and each holding a provision for the progress of its payments, it leaves a permanent balance in the hands of the bank of from four to seven millions per annum, and during several of the last years of the war from ten to fifteen millions per annum. The following is a statement of the amount in each of the eight years 1818—1825 according to returns made annually to parliament, viz.

Years.	Maximum.	Minimum.	Average of the Year.
1818	8,852,078	5,709,487	7,019,071
1820	5,861,631	2,246,598	3,713,442
1	7,096,874	2,302,591	3,920,157
2	7,690,046	2,867,851	4,107,853
3	8,305,174	3,698,764	5,526,635
4	10,359,773	5,000,127	7,222,187
5	9,239,024	3,197,190	5,347,314

67. By means of these balances, deposits of individuals, and the circulation of its notes (and the circulation of its notes, be it remembered, creates the means of the balances and deposits), the bank discounts the bills of individuals, makes the temporary advances to government on interest, and buys exchequer bills and other government securities, bearing interest; all these it is, in addition to the specific charge of £275,000 per annum specified in sect. 65, and 3 per cent. on the £14,686,800 specified in sect. 41, that enables the directors of the bank to divide the enormous amount of £1,455,300 per annum among the holders of the £14,553,000 of stock, as specified in sect. 43. This profuse dividend occasions the nominal £100 of stock on the bank books, to be saleable for transfer proportionate to the current rate of interest, be it 3, 4, or 5 per cent. per annum. Hence, on the

10th of May, 1816, £100 of stock commanded £262, and this leads us to an elucidation of the transaction adverted to in sect. 42. In 1816 the directors of the bank offered to lend the government a further sum of £3,000,000 during the continuance of their charter, at the moderate rate of interest of 3 per cent. per annum, the current rate then being about £4. 5s. per cent.; and such was the blindness, as the writer of this paper regards it, of the government at that time, that the Chancellor of the Exchequer actually held it up in parliament as one of the most disinterested acts of kindness and generosity of a public body that he had ever known: but the reader should mark the sequel.

68. There was another proposition connected with the transaction on the part of the directors of the bank, to the following purport, viz. That they should be empowered to add 25 per cent. to their then permanent capital of £11,453,330. This being complied with, what did the transaction amount to? Certainly to empower the then holders of bank stock to levy a contribution of from £7,000,000 to £8,000,000 on the public for their own exclusive benefit, because no new subscription was called for, nor was the £3,000,000 purported to be lent, the property of the bank, but simply a reduction of the balances of the public money, which the bank held as the agent of the public; which by this act they were empowered to convert either into a marketable commodity at from £262 to £220 for every £100, or to retain it as a permanent accession of capital equivalent thereto.

69. Another transaction between the bank and the government, equally disadvantageous to the public, took place in 1823, act of 4 Geo. IV. cap. 22. This act, which, under the title of Military and Naval Pension Bill, was virtually an act to raise money for the purpose of sustaining a sinking fund, granted an annuity to the bank

of £585,740 for forty-four years, from the 5th of April, 1823, in consideration of the bank paying to the government the sum of £13,089,419 in thirteen irregular instalments between the 5th of April, 1823, and the 5th of July, 1828. As the actual result of this transaction depends upon the rate or terms at which the £13,089,419 or a corresponding sum, may be expended in the purchase of 3 per cent. stock, prior to the payment of the last instalment, we are of course (in May, 1826) precluded from stating with accuracy the precise extent of its disadvantage to the public. But, according to one (the eighteenth) of a series of resolutions on the state of the nation, submitted to the consideration of parliament, by Mr. Hume, on the 4th of May, 1826, it appears that £6,917,569 of the amount received up to the 6th of January, 1826, had been expended at a rate equivalent to £7,858,188 of 3 per cent. stock, whilst the equivalent of 3 per cent. stock given for that portion of the amount was £9,476,110, consequently a bonus to the bank equal to £1,617,922 of 3 per cent. stock; but, by mathematically correct working of the transaction in 1824, when the 3 per cent. stock was at 95, and assuming that rate for the expenditure of the remainder of the instalments then to be paid, the result would have been on the 10th of October, 1828, a cancelling of perpetual annuity to the amount of £365,880, leaving an excess of £219,852 per annum, payable for 38½ years, equivalent to an annuity in perpetuity of £146,962; and supposing from the date of the last instalment in 1828, 3 per cent. stock should recede to 60, or the rate of interest become permanent at 5 per cent. per annum, the excess of the annuity of £219,852 for 38½ years, would, at the expiration of that period, be equal to £29,381,900 of 3 per cent. stock, or an annuity in perpetuity of £881,457, consequently a disadvantage to the public to that extent for ever.

70. The following is a Statement of the Income of the Bank at the period of this article going to press.

Interest on the £14,686,800 permanent Debt of the Government, at 3 per cent.	£440,604
Annuity for 44 years, from 5th of April, 1823	585,740
Charge for transfer of the Public Funds, and Payment of the Annuities, about	275,000
Interest on Notes in circulation, say £20,000,000, at an average of 4 per cent.	800,000
Total	£2,101,344

From which the following charges and liabilities must be deducted, viz.

Salaries of about 1000 Clerks	£250,000
Stationary, Coals, Candles, and House Expenses	50,000
Repair of Buildings, Taxes, &c.	20,000
Composition for Stamps	50,000
Loss on Bills Discounted	50,000
Law Expenses, Gratuities, &c.	20,000
	440,000
Net Income	£1,661,344

Being upwards of 11 per cent. on the amount of stock constituting the permanent capital annually divided upon, against which, however, £5,000,000 of the loan of 1823, for which the annuity of £585,740 was obtained, remains to be paid up; but, if the resources of the bank have hitherto been such as to enable it to advance the £8,000,000 without entrenching more than 2 per cent. upon its profuse income, but little doubt remains that it will be able to fulfil the contract without any further entrenchment, and if so, the whole annuity then remains clear income for the remainder of the period, viz. 38½ years. The amounts deducted from the gross income are entirely assumed, there being no authentic data before the public on the subject, they probably exceed the actual expenses.

71. In the preceding view of the total income of the bank, no notice is taken of interest on the temporary advances to the government, nor of profits by discounting, nor of interest that may be derived from the balances held by the bank, due as well to depositors as to the government; because the first, that is, the temporary advances to the government wholly, and the others partially, merge in the aggregate amount of interest derived from the circulation of its notes.

72. Since 1826, when the preceding part of this article was written, great and important changes in the practice and principles of Banking in England have taken place, the particulars and consequences of which, we will now proceed to elucidate. The expiration of the Charter of the Bank of England in the present Year, [1833] occasioned in 1832, a committee of parliament to be appointed "to enquire into the expediency of renewing the Charter, and into the system on which Banks of issue in England and Wales are conducted, &c. &c." The committee, which was composed of thirty-two members of the House of Commons (five a quorum), called before them twenty-two individuals, considered to be practically well informed men, to whom, collectively, 5978 questions were put, whose answers fill 480 printed pages of large foolscap, upon which evidence the committee reported, "That on all the points into which they were appointed to inquire, more or less information will be found in the minutes of evidence, but on no one of them is it so complete as to justify the committee in giving a decided opinion;" many of the questions apply to the effect which the Foreign Exchanges have upon the price of Gold, and their consequent influence on the internal circulating medium; an elucidation of these subjects belongs to the articles *Circulating medium*, or *Currency*, and *Exchanges*, rather than to Banking; they are, however, so intimately connected with it, as to render a reference to them necessary to a complete elucidation thereof: we shall, therefore, hereafter again refer to them in continuation of the present article. Inapplicable as many of the questions put by the committee were, and insufficient and unsatisfactory as its labors have been, as far as the question of a developement of the just principles of Currency and Banking is concerned, there are several accounts annexed to the evidence that contain information

of the most important kind, and from which, many just conclusions may be drawn; all of the most interesting and material of these accounts will be found exhibited in four statements at the conclusion of this article, and they will be adverted to in detail, as we proceed in the further elucidation of the subject.

73. Independent of the Bank of England, which constitutes so prominent and important an adjunct to the great trading transactions of the Metropolis, there are also at this time [1833] about sixty other Banking establishments of deposit, discount, and agency in the Metropolis, and about 650 others in different parts of Great Britain, which are also Banks of issue, as well as of deposit and agency. Previous to 1797, while all notes payable on demand were convertible into gold at the standard price of £3. 17s. 10½d. per. oz., or into silver at 5s. 2d. the oz., the practice of most of the provincial or country Bankers was, to issue notes of £5 and £10 each, and partially of £20, £30, and £50 payable on demand, at some one of the most accredited of the sixty-five to seventy Banking establishments in the metropolis. These notes it was the practice to advance, on interest, to the trading and agricultural producers of their respective districts; but as these notes, being payable on demand were, within a week of their being issued, even from the most distant part of the country, liable to be presented for payment, the issuer was, in all cases, required to deposit with his agent in the metropolis, an adequate sum or security for their amount, as well as being provided to pay them on demand at the place from whence issued; whereby it appears that two protecting capitals are required to keep one in circulation, and hence the difficulty on a partial view of the subject of discovering how the advantage to the issuer of the notes arises, this will be explained by supposing the total amount of promissory notes issued by any one country Banker to be £20,000, a protecting capital of £5000 in the Metropolis, and £1000 or £2000 at the place of issue will suffice, the interest upon the difference will be profit, less the expense of stamps, paper, and management; three-fourths of the amount issued, on an average, keeping permanently in circulation or dormant in the drawers of the traders and farmers; but independent of the profit derived from circulation, some country bankers charge a commission of one-fourth per cent. upon all accounts which are allowed to be occasionally overdrawn; and to such of his connections who become his creditors he generally allows interest only at the rate of two or three per cent. per annum., while he charges all his debtors four or five per cent., or some such difference. The great epoch, however, of advantage to the provincial banker commenced with the suspension of cash payments in 1797, when notes under £5 were allowed by law to be issued; the small notes, chiefly of £1, sometimes of £2, were generally payable only at the place where issued, and consequently required no protecting capital in the metropolis, or elsewhere to sustain them, their circulation was maintained entirely by the credit and character of the party issuing them. Columns number

3 and 4, of the Statement number IV., will show the estimated annual amount of country bank notes in circulation, about three-fifths of the amount being in notes of £1 and £2, as well as the number of establishments licensed to issue the same.

74. Payment in cash being suspended (see section 55) until six months after the ratification of a definitive treaty of peace, the small note circulation received its first check after the peace of Paris in 1814; but re-attained its wonted vigour again in 1817-18, see columns 3 and 4 of statement IV. From the close of the latter year, when the return to gold payments at the standard of 1797 was determined upon, the small note circulation experienced a second check, from which an effort was made to recover it in 1822-3, but in the year 1825, in consequence of circumstances detailed in sections 60 and 64, their circulation was entirely prohibited, the Bank of England having voluntarily withdrawn their small notes in 1821. •Up to the period of 1826, the practice of provincial Banking in England and Wales had been carried on principally by individuals, or by partnerships of two or three; and here and there, but very partially, of four or five members; but the discredit which fell upon individual country bankers in 1825-6, as detailed in section sixty-four, and the disinclination of many to afford any accommodation on credit, has led since that date to the formation of Joint Stock Banking Establishments, at each of the under-mentioned places, viz.—

Liverpool.	York.
Manchester, 2.	Darlington.
Manchester and	Lancaster, 3.
Liverpool, 9.	Whitehaven.
Birmingham, 1.	Carlisle, 7.
Wolverhampton.	Leicester.
Sheffield.	Norwich, 9.
Barnesley.	Stamford & Spalding.
Bradford.	Gloucester.
Halifax.	Langport, 14.
Huddersfield.	Plymouth and
Knarborough.	Devonport.

The figures following certain of the places denote the number of branches respectively established by those banks. The Bank of England has also established branches at each of the eleven following places, viz.—Liverpool, Manchester, Leeds, Birmingham, Bristol, Gloucester, Swansea, Exeter, Norwich, Hull, and Newcastle.

75. In Scotland there are about thirty-five banking establishments, all, except three, issuing notes of £1 and £2, as well as for larger amounts. The commercial banking company of Scotland, at Edinburgh, has thirty-one branches; the bank of the British linen company, twenty-seven branches; and the bank of Scotland, sixteen; and eighteen other establishments have together fifty-nine branches, so that altogether there is in Scotland between 160 and 170 offices of discount, deposit, and agency. Of these about fifteen may be regarded as private establishments, and the remainder joint stock partnerships; their total issues of promissory notes amount to about £3,500,000, in the proportion of three-fifths of £1 and £2. In Ireland, subsequent to its union

with Great Britain in 1801, banking establishments became numerous, increasing during the war to sixty or seventy; but, on the return to payment in gold in 1823, about ten only remained solvent and in practice. In 1783, the Bank of Ireland was established with a capital of £600,000, afterwards increased to £3,000,000, with exclusive privileges, corresponding with those of the Bank of England; the circulation of the Bank of Ireland, on an average of five years preceding 1826, amounted to about £5,000,000, in the proportion of about one-third of small notes under £5; and the circulation of all the other banks at the same time amounted to about £1,200,000. In 1825, a company was formed in London with a subscribed capital of £2,000,000, under the title of the "Provincial Banking Company of Ireland," which has established branches at eighteen of the principal towns in that country, at a greater distance than fifty miles from Dublin, within which limits it was precluded by the privileges of the Bank of Ireland from issuing of notes. The provincial Bank of Ireland, as well as all the banks of Scotland, like the country banks of England and Wales, charge a commission on all the amounts which pass through their hands, and allow and charge interest in like manner.

76. In the three preceding sections we have exhibited, in brief outline, the nature and extent of the provincial banks of issue in the three several parts of the United Kingdom, preparatory to showing the way in which they are connected with the transactions of the metropolis. To the American reader of our work to whom the practice of banking (in a way to which we shall hereafter advert) is so familiar, it may be interesting to know that, not only does the whole receipt of revenue of the United Kingdom pass through the metropolis for redistribution, but that the payments of all the great transactions of the kingdom are also there equalized or balanced; this general concentration of the whole money transactions of the kingdom, gives to the private banking establishments of the metropolis, a character peculiar to themselves; they neither issue notes, nor, on the transactions of the metropolis, do they charge any commission, yet several of them employ from forty to sixty clerks, while their contingent expences are on a proportionate scale. Since 1824, eleven of these establishments have suspended their payments, and the greater number of them proved great defaulters; at the present time (1833) there are fifty-nine in operation, of which, thirty-five are located within two or three minutes' distance of the Bank of England and Royal Exchange, ten in the more western part of the city, and the remainder in Westminster. The transactions of ten of those located contiguous to the Bank of England are on a very extended scale, and among whom the agency of the country banks is principally divided; the transactions of ten or twelve others may be regarded as inconsiderable, and each of the remainder as giving employment to from fifteen to twenty-five clerks.

77. The private banking establishments of the metropolis are formed of two, three, or more partners, in very few instances exceeding five;

the requisite qualifications, either for commencing a new banking establishment or for being admitted a partner in an existing one, are, 1st. a money property of from £30,000 to £50,000, 2nd. prudential habits, and 3rd. a general good moral character. The practice of the metropolis being for every merchant, trader, and professional practitioner to deposit his daily or weekly receipts of money with some one of the banking establishments, the total number of depositors probably amount to about 30,000; this gives an average of about 500 accounts to each bank, supposing them equally divided; upon these deposits no interest is given, nor, on the other hand, is any commission charged on their being withdrawn; but, as many deposits thus made form collectively a large sum, the banker obtains his advantage by using it in the discounting of bills, it being understood between the depositor and the banker that, as a compensation for managing his account, the depositor will keep a permanent balance with his banker of £200, £500, or £5,000, as the case may be, according to the nature and extent of his transactions: thus, supposing a banker to have only 500 accounts, and the standing deposit of each to average only £500, this would afford a discounting capital to the banker of £250,000; this will serve as an example, but the deposits in each of about twenty of the principal establishments will probably average five or ten times that sum.

78. It is not what may be considered the permanent balance of the deposits, which alone constitutes the means of advantage to the economical banker. The respectable merchant and trader does not confine his balance to a specific sum; but he provides by anticipation for his payments some days previous to their being due, and at other times his receipts come in without any immediate demands being made upon him: all these contingencies tend to augment the banker's balances, and means of discount; and thus a thousand sums, which remaining in the hands of individuals would be useless, by being concentrated in banks of deposit become available for being made constantly active and profitable. It was with these deposits so concentrated that the Exchequer bills exhibited in col. 13 of statement III. were kept in circulation; during the war from 1793 to 1816 those bills carried an interest of 3d. to 3½d. per £100 per day, and, by being daily convertible, they enabled the metropolitan banker at all times to convert his depositors' balances to a profit; but, since the termination of the war, the interest on those bills has been progressively reduced to 1½d. per £100 per day, and at that reduced rate they command a premium of from 5s. to 35s. per £100, which renders them of very precarious advantage as absorbents of temporary balances, and confines the application of the deposits more exclusively to the discounting of bills of exchange. Previous to 1825, with the exception of the government account and that of the East India Company, the transactions of the Bank of England, as a bank of deposit, were comparatively inconsiderable; but, in consequence of the devastations at the close of that year, as detailed in sect. 64, when six of the private bank-

ing houses of the metropolis were involved in the general wreck; the distrust thereby occasioned led to the transfer of a number of accounts from the private bankers to the Bank of England, as may be seen by the increase of deposits, as exhibited in col. 7 of statement IV.

79. It having been shown that the interest derived from the deposits is the only source of emolument of the private bankers of the metropolis upon the metropolitan part of their transactions, if the extent of the deposits was ascertained, their aggregate emolument might be pretty accurately determined; but, in the absence of all authentic data, the best that can be done here is to assume some basis whereby an approximation to the amount may be arrived at; the expenses of about fifteen of the principal establishments, ten in the city and five in Westminster, will approximate to £8000 per annum each, in clerks' salaries, rent, taxes, and contingencies; of thirty others about £5000 each, and the remaining fifteen about £2000 each,—making a total of £300,000 per annum; if to this we add £2000 per annum each, as the personal expenses of 240 principals, being an average of four partners to each establishment, £480,000 per annum more is required to meet those expenses, making together a total of £780,000. To meet this amount, at the present prevailing rate of interest, deposits to the amount of about £25,000,000 are required, and to be constantly employed, leaving nothing for defalcations and such like contingencies; £25,000,000, divided among sixty establishments, gives an average of £416,600; when a second-rate establishment has been suspended in its operations the claims upon it have run from £300,000 to £400,000; but with from ten to fifteen of the principal houses the deposits will doubtless amount to £1,000,000 or £1,500,000, and the aggregate probably approximates to £30,000,000, in the following proportions, viz. with the

15 principal establishments	£1,200,000 each,
30 second class	do. 300,000
15 minor	do. 150,000
These give a total of £29,250,000, and require 30,000 depositors, in the following proportions, viz.	
1000 averaging £5000 each	£5,000,000
1000 do. 3000	3,000,000
4000 do. 2000	8,000,000
4000 do. 1000	4,000,000
10,000 do. 750	7,500,000
5000 do. 200	1,000,000
5000 do. 150	750,000
30,000	£975 £29,250,000

80. As all what are termed first-rate bills, that is, bills of unquestionable validity, have for the last four or five years been discountable at the rate of 3, to 3½, or, as an extreme case, 3½ per cent. per annum, £30,000,000, allowing £5,000,000 as a necessary rest or reserve, to meet daily contingencies (to which we shall again advert), will barely provide for the current expenses, in addition to which the personal expenses of several of the individual principals engaged in banking are stated to amount to £20,000 per annum, and a number of them to

£10,000 and 5000 each; and, at the present time, the personal expenses of the collective partners of one of the principal establishments are stated to amount to £80,000 per annum, whose fortunes at the commencement of the war in 1793 were inconsiderable, not exceeding £60,000; the profits of another establishment, it is pretty well understood, for two or three years previous to the termination of the war, exceeded £100,000 per annum, while the personal expenses of the principal partner did not exceed £2000 per annum; but from 1798 down to 1819, in addition to the emoluments derived from the metropolitan deposits, the emoluments derived from the agency of the country banks, as exhibited in col. 4 of statement IV., was very considerable, and equal probably to that derived from the metropolitan deposits. The emoluments of the London bankers by the agencies of the banks of Liverpool, Manchester, and Leeds, are supposed, at one time, to have amounted to a very considerable sum, and that one of the Manchester establishments alone is stated to have been equal to £10,000. It will not be out of place here to state that the practice of the banks in Liverpool and Manchester was and still is an exception to the practice of all the other provincial banks; those of Liverpool and Manchester never having been banks of issue, but exclusively of agency, charging $\frac{1}{4}$ per cent. upon all transactions: the nature of their practice is, to take the bills drawn and received in payment for the produce and manufactures sold in the respective places, and supply the merchants and manufacturers with Bank of England notes and cash for their current demands; in addition to which the bills so drawn in themselves constitute an important feature in the circulation of that district of the kingdom; and, as the practice is peculiar to the district, and is as interesting and important as it is peculiar, it merits more than an ordinary share of attention from the legislative as well as general inquirer, not merely in comparison with the practice in other parts of Great Britain, but as having no comparison with the circulation and practice of banking in any other part of the world; we shall therefore endeavour to show its extent and practice.

81. The imports into Liverpool, including those from Ireland, have averaged, during the last fifteen years, about £20,000,000 per annum; and the annual value of the manufactures of the district of which Manchester is the centre have averaged about £50,000,000 per annum; for, although the quantity has doubled during the period, the reduction in value has been in a ratio corresponding as near as possible with the increase of quantity. Upon these transactions but few bills, comparatively speaking, are created in Liverpool; while about £35,000,000 on London are created in Manchester, in the proportion of about £17,000,000 for the proportion of cottons and yarn exported, and £18,000,000 for the consumption and re-distribution of the metropolis; the remaining £15,000,000 are paid for by other bills carried in or remitted by the country shopkeeper. (Draper.) Hence bills, as here described, to the amount of about £50,000,000, annually pass through the hands of the Manchester bank-

ers, at present (1833) eight in number. In Liverpool the prevailing condition of all contracts is 'payment in *approved bills*, not exceeding three or four months' date;' then, as the bulk of the imports into Liverpool are worked up or consumed in the district; the cotton dealer, or spinner, the grocer, provision dealer, &c. obtain from their bankers in Manchester such portion of the bills previously mentioned as their transactions require; hence it will be seen that these bills constitute the chief circulating medium or means of exchange between the place of import and distribution. The remainder of the bills created and received in Manchester are in due course remitted to the metropolis, in exchange for such foreign produce and productions thereof as are supplied from thence into Lancashire; and then, as all the produce imported into Liverpool is drawn for at the places of export in bills payable in London, all the bills carried into Liverpool from the Manchester district are ultimately remitted to the metropolis, to meet the payment of the bills so drawn, on account of the imports; and, as the bills made payable in London are generally addressed to some accredited banking house, the remittances from Liverpool are commonly made through the banking houses of that place.

82. By the preceding section it will be seen that the practice of the Liverpool and Manchester bankers consists more of endorsing and rendering valid, or *approved*, the bills created and received for the manufactures of the district than in receiving and disbursing of cash deposits, and that it is consequently a practice requiring the utmost discretion and judgment, and differing essentially from the practice of the metropolis. The risks and liabilities of the Liverpool and Manchester bankers are exceedingly involved, inasmuch as their transactions are not confined to the bare passing through their hands the £50,000,000 per annum which the manufactures of the district give rise to, but they exchange bills of large amount for smaller, and *vice versa*, as the wants and conveniences of their connexions require; and, although these transactions do not add to the aggregate liability, they add to their complication. The practice of the bankers of Leeds, of Sheffield, of Birmingham, and of all the other manufacturing districts, as well as of the provincial banks in general, is similar to that of the bankers of Liverpool and Manchester, in regard to their endorsing and exchanging of bills, but differed from them in their practice, during the small note circulation, of issuing their own promissory notes to supply the current cash demands of their respective districts, which their £5 and £10 notes at present in part supply; but, as in the case of Liverpool and Manchester, the bills created in all the other manufacturing districts are all drawn upon or made payable in the metropolis, they consequently give rise to daily exchanges between about thirty-five of the metropolitan bankers to an extent incredible to persons unacquainted in some degree with the practice of banking transactions.

83. The aggregate transactions of the metropolitan bankers, exclusive of the bank of

England, are stated to amount to from £3,000,000 to £4,000,000 daily, and occasionally to exceed the latter sum. The economical means devised for the daily liquidation and settlement of the claims of the bankers upon each other is the nearest approximation to perfection in social arrangement ever arrived at: some of the principal Westminster establishments have accounts with those in the city in a way not dissimilar to the provincial bankers; then, about thirty of the principal houses each send a clerk to a common rendezvous, where they exchange the claims of their respective houses upon each other. The place where this exchange takes place is in Lombard Street, in the immediate vicinity of all the principal banking houses, and is termed the *Clearing House*; the first meeting takes place at one, and the last at four o'clock in the day; and by this arrangement claims of millions are settled in an hour, with a very inconsiderable sum. To the uninitiated it may be proper still further to explain that when the merchant or

trader of the metropolis accepts a bill he usually accepts it payable at his bankers; and in like manner, in making cash payments, they give a *cheque*, or *order*, on their banker, and at the same time write across it the name of the banker to whom it will be paid, which practice serves at once as a receipt on one side and security on the other, because, when so written upon or crossed, in the event of being lost, no injury can accrue to either party, inasmuch as the crossing implies that it must pass the *Clearing House*, and therefore prevents its being paid to any undue person. It must be understood, however, that the payment in cheques is not usually made for amounts less than £5; at one time the Bank of England would not pay or recognize cheques of less than £10, and some houses of business make it a rule not to draw for a less sum; but this depends entirely on circumstances, and occasionally, as an exception to the general rule, a cheque may be given for as small an amount as 30s. or even 25s.

84. The following statement will suffice to show the way in which the daily transactions of those bankers who associate at the *Clearing House* are equalized:

	A	B	C	D	E	F	G	H	Totals.
	£	£	£	£	£	£	£	£	£
A claims of		9,872	3,841	2,850	17,640	11,652	16,827	19,764	82,446
B do.	12,682		7,641	4,627	23,219	9,760	26,541	18,322	102,792
C do.	4,640	7,157		1,520	8,617	4,215	8,427	7,380	41,956
D do.	3,157	5,117	942		5,183	2,970	4,185	3,768	25,322
E do.	16,970	27,689	9,180	3,922		7,680	32,817	15,870	114,128
F do.	12,827	13,891	3,814	1,815	9,723		11,614	7,682	61,366
G do.	17,954	23,814	9,716	13,817	29,740	17,952		13,876	126,869
H do.	21,690	14,872	9,427	4,640	14,834	9,167	13,740		88,370
To receive	89,920	102,412	44,561	33,191	108,956	63,396	114,151	86,662	643,249
Claimed of A		12,682	4,640	3,157	16,970	12,827	17,954	21,690	89,920
do. B	9,872		7,157	5,117	27,689	13,891	23,814	14,872	102,412
do. C	3,841	7,641		942	9,180	3,814	9,716	9,427	44,561
do. D	2,850	4,627	1,520		3,922	1,815	13,817	4,640	33,191
do. E	17,640	23,219	8,617	5,183		9,723	29,740	14,834	108,956
do. F	11,652	9,760	4,215	2,970	7,680		17,952	9,167	63,396
do. G	16,827	26,541	8,427	4,185	32,817	11,614		13,740	114,151
do. H	19,764	18,322	7,380	3,768	15,870	7,682	13,876		86,662
To pay	82,446	102,792	41,956	25,322	114,128	61,366	126,869	88,370	643,249
Balances									
To pay	7,474		2,605	7,869		2,030			19,978
To receive		380			5,172		12,718	1,708	19,978

85. Suppose the letters A to H here to represent so many banking concerns. The lines of the first division of the statement show the amounts which each respectively claims, or has to receive, or the other, and the columns the amounts which each has respectively to pay; while in the second division the amounts are reversed, viz. the lines show the amounts claimed, and the columns the amounts which each has to receive of the other. The total amount carried in is £643,249, which amount, without some such mutual arrangement, would have to be paid in

money twice over. It is true an exchange might take place at the counters of the respective houses, and the balances only paid or received; but this would be attended with great loss of time and considerable payments, while, by the arrangement adopted, no money payment is necessary if the bankers have confidence in each other; because, with the exception of an occasional very large amount, the *balance notes* given one day would probably equalize themselves the next, so that if each banker was to deposit Exchequer bills for mutual security, according to the extent

of their respective transactions and probable occasional balances at the clearing house, their exchanges might continue, *ad infinitum*, without a shilling of money ever being required, and the banking of the metropolis resolve itself, by this practice, into a joint stock security, with the superior advantage resulting from individual confidence; while a daily account, made up in the form as exhibited above, would show the working of the money transactions of the metropolis, in a way to enable just and important conclusions to be drawn from them.

86. According to the previous statement the aggregate balance arising out of an exchange of £643,249 is £19,978, or about 3 per cent.; this, however, does not show the extent of money requisite to equalize each day's transaction, as will be seen by the account of B, which in the aggregate, balances within the trifling sum of £380, but which, when exhibited in detail, shows a balance of £9,471, viz.

	B claims. £	Claimed of B. £	B has to receive. £	B has to pay. £
A	12,682	9,872	2810	
C	7,641	7,157	484	
D	4,627	5,117		490
E	23,219	27,689		4470
F	9,760	13,891		4131
G	26,541	23,814	2727	
H	18,322	14,872	3450	
	102,792	102,412	9471	9091
		Balance to receive		380

It will be seen by these statements that, however irregular the claims of the respective bankers may be on each other, in the aggregate the balances to be received or paid exactly correspond with each other, and thereby it may be seen how advantageously the use of money may be economised by mutual arrangement; and it is by such arrangements that the half-yearly payment of the dividends in January and July, to the amount of £8,000,000, are effected with about £2,000,000 of money, as may be seen by the statement No. 1 of the weekly circulation of bank notes, at p. 481*. To make this more intelligible to the uninitiated it may be proper to state, that at the National Debt department of the Bank of England an order, termed a *warrant*, is given for the amount of the dividend, which warrant is convertible into money on demand, at another department of the Bank; but when the warrant is received by such persons as keep banking accounts, it is not converted into money, but carried to their banker, and it then enters into the general exchange with the Bank of England at the *Clearing House*, or in account with the respective private bankers, and thus the inconsiderable sum with which the payment of £8,000,000 in amount is half-yearly effected.

87. Having thus far traced the progress of banking in Europe, from the earliest period of its practice, and shown its nature and extent in the United Kingdom at the present time, before

we proceed to show its nature and extent in France and America, we will offer a few observations on the prevailing excitement in England in regard to its expected future practice. That it is destined to an important change is certain, from more than one cause: the expiration of the charter, and the present ascendancy of the Bank of England, with its claim of about £33,000,000 on the government, coupled with the imaginary difficulties and certainly prevailing extensive distress of the nation, strong prepossession in favor of joint stock banks, and vulgar prejudice against private banks, are all circumstances which imply that an important change must take place. It is not, however, the question of banking, so much as of currency, that claims consideration; whether the energies of the people shall be bound in chains, and fettered with logs of gold, or whether some means as elastic as their energies shall be applied, that those energies may produce their proper force and effect, is still more immediately the question which ought soon to be decided; and without stopping to show the relative advantage or disadvantage of national, compared with joint stock or private, banks, we will first proceed to show the basis upon which the currency, or circulating medium of the country, now ought to be founded: this, however, unavoidably leads us to refer to the account commonly called the National Debt, but which term is a solecism, inasmuch as it is quite as much a credit, as it is a debt.

88. It will be seen, on reference to col. 2, of statement II. p. 483*, that on an average of seven years preceding the war declared against France in February 1793, the expenditure of the government did not amount to £18,000,000, including the charges of collection of the revenue, from which amount it progressively increased to upwards of £130,000,000, in 1815, more than seven-fold; the revenue, however, was increased only from £18,000,000 to £71,000,000, or about four-fold, the difference being effected, first, by the creation of bills, as shown in col. 13, of statement III., then funding them, and by the raising of loans, as shown in col. 3, of statement II. The most remarkable feature displayed in statement II. is, that during the first five years of the war, while the expenditure was increased from £18,000,000 to £50,000,000, no increase of taxation, comparatively speaking, took place; but when the operations of the war had absorbed the £18,000,000 value of gold, which had been coined during the eight previous years (see col. 14), and placed the country in a situation the most peculiar, a paper circulation was resorted to (see cols. 4, 5, of statement II., col. 3 of No. IV., and sect. 73); then it was, for the first time, shown what society, when unfettered, is capable of; it enabled England to advance her revenue with increasing facility from less than £20,000,000 to more than £70,000,000 per annum, in the course of eighteen years, and not only to contend single-handed for the supremacy of the world, but to advance it the same time all the means of social enjoyment in a corresponding degree; and, in 1815, to attain the object for which she had for twenty-three years contended,

not exhausted of, or diminished in, her resources, but, on the contrary, surrounded by an extent of scientific and mechanical power, a facility of interchange, and a moral force, without a parallel in the history of human action.

89. But what is the situation of the country now? (1833) An accursed delusion in respect to gold, like an ignis fatuus, has dazzled the understandings of men, and, with one or two alternations, led to eighteen years of prostration as deplorable as the previous eighteen years of advancement is even now delightful to look back upon. This declaration will doubtless induce the sciolist to exclaim, Oh! here's a paper money advocate for you! Simpletons, who do not seem to know the distinction between use and abuse, or, at all events, if they do know it, seem never to have entertained it. We will therefore show the distinction; but we must previously show the state of the annuity account, called the National Debt, in 1793, compared with its amount at the present time, and the state of the account between the Bank of England and the Government at the same two periods; and we shall then, in our development of an entirely new principle of currency, clearly show the distinction between the use and abuse of a paper circulating medium. The amount of government annuities, at the commencement of the war in 1793, was £9,200,000, reduced by the extinction of certain life and other terminable annuities, and by redemption of land tax, &c. to about £7,200,000; the total amount now payable being £28,340,000, leaves £21,140,000 created since 1792. Now, on reference to the statement of loans raised, and bills issued and funded, cols. 3 and 13 of statements II. and III. it will be seen that every pound of these annuities was created, not for gold received, but for paper; and for paper, if convertible at all into gold, a great part of it was at the rate of £5. 7s. to £5. 11s. per ounce. Mark, then, the injustice, as well as the folly, of endeavouring to enforce the payment of these annuities, as well as all other proportionally increased amounts, in gold at the fixed rate of 77s. 10½d. per ounce. Next, with regard to the Bank of England, sect. 42 shows the progressive increase of the subscribed capital of the Bank, from its foundation in 1694 down to 1781, at which sum it remained fixed down to the close of the war in 1815; the two following sections show the rate of dividends and amount of bonuses derived therefrom, during the same period, and down to the present time (1833); sect. 67 shows that an augmentation of £3,000,000 to the capital took place in 1816; and col. 8, of statement III., shows the amount of a further sum of between £18,000,000 and £19,000,000, which the Bank now claims of the Government, making together a total claim, as stated in sect. 87, of about £33,000,000. The amount advanced, as explained in sect. 69, is included in the amount exhibited in col. 8.

90. The total nominal value of the annuities, or, in other words, the capital of the National Debt, as it stood at the commencement of the present year (1833), was £755,000,000, for £24,100,000 of the annuities, the remainder being life and other terminable annuities, except

about £650,000 for interest on the Exchequer Bills, as exhibited in col. 13, of statement III. The £755,000,000 of capital above stated stands under twenty or more denominations of 3, 3½, and 4 per cents., distinctions as unnecessary as they are elusive; therefore, preparatory to the adoption of the measure we are about to propose, it is necessary that all the various descriptions of stock should be consolidated into one denomination, a measure as desirable for its own sake, as it is in reference to the proposition we are about to advance; in reference to which it is desirable that they should be converted wholly into a 3 per cent. stock; that being done, the amount of the account will somewhat exceed £800,000,000, which account is now, instead of gold, to be made the basis of the circulating medium of the country. Suggestions have been frequently and repeatedly offered for liquidating the National Debt, by converting it into currency; but the suggestions have invariably been vague and irrational, bespeaking an entire destitution of all knowledge of the exact relation either of the debt or of currency with the aggregately combined interests of the nation. In the first place the extinction, or even diminution, of the debt is neither necessary nor desirable; but, were it otherwise, there is no means of either extinguishing or reducing it without producing a diminution of power in the body politic, like the loss of a leg or an arm to the body physical: from the manner in which it has grown up it has become an essential and indispensable part of the aggregate combination; and, if it can at all be considered a grievance, it is more than compensated for by the scientific and mechanical power, now in operation, which the funding system has mainly been the means of creating.

91. The £800,000,000 nominal value of the annuities being made the basis of the currency, to make the currency invariable, the nominal value of the annuities must be made invariable; and this is to be effected by means at once simple, and as important to the aggregate interests of the nation as they will prove effectual for the purpose of affording an invariable currency. The government henceforward must be the only manufacturers of the currency in £1 and £2 notes, as well as of larger amounts; £100 of such notes to be always exchangeable for £100 of the consolidated stock, and, *vice versa*, the stock in like manner always exchangeable for £100 of notes. The established rate of interest being 5 per cent., the difference between 3 and 5 per cent. will be the means of profit to the bankers and agents of distribution. By the adoption of such a measure, gold, like any other metal or commodity, will find its level of value as an article of merchandize, and the energies of the country will be at once relieved from the golden fetters with which (heavier than iron or lead) they have for eighteen years been bound. This measure being resolved upon, the first step to be taken, after the consolidation of the stock, will be to provide notes for all applicants, and then settle the claim of £33,000,000 with the Bank of England. The directors of that establishment, doubtless, imagine that they are entitled to claim £33,000,000 in gold, at

77s. 10 $\frac{1}{2}$ d. per ounce; but £11,642,400 is all they are entitled to receive in gold, all beyond that amount has been created in paper, and in paper only ought it to be paid; let, then, the claim of the Bank be settled by paying the subscribed capital back in gold, at the rate at which it was received, and the remainder in the national paper proposed as the only future circulating medium of the country, which gold and paper would form the future capital of the Bank of England.

92. Under the arrangement proposed in the preceding section all obligation between the Government and the Bank is dissolved; the Bank stands on its own bottom, with means and in a condition to pursue the occupation of bankers, like any other establishment, with the difference in their favor of a larger capital; if they should prefer funding their notes, or any part of them, let them do so: another establishment upon an equal scale of efficiency would doubtless be formed; the government business is open to the existing establishment, or to any other which may be formed; in either case it will be the duty of the government to take care that it is transacted on the most economical terms for the public; by economical we do not mean the lowest rate of terms, but those which afford the greatest security and facility. As the proposed currency is totally unconnected with gold, the £11,642,400, which the Bank will be entitled to receive at 77s. 10 $\frac{1}{2}$ d. per ounce, in its settlement with the government, will be at the disposal of the Bank as merchandize, like any other metal; should a demand ensue either to facilitate the transfer of capital from British to foreign security, or for procuring corn or any other article of production, the price of gold will rise in proportion to the demand for it, and a due equilibrium be thereby maintained. If it should be imagined that our silver currency may be exposed to derangement, by circulating in conjunction with paper, we do not apprehend an inconvenience as likely to arise; but, as it is a possible case, it may not here be irrelevant to state that the present attainment in the arts affords a substitute even for silver, more beautiful and equally convenient, whether in sixpences, shillings, half crowns, or crowns, and at the same time as non-intrinsic or valueless as the notes, except for their legitimate purpose of currency.

93. We have stated in a previous section that the present prevailing rate of interest does not exceed 3 to 3 $\frac{1}{2}$ per cent.; it may therefore be supposed that, if the government rate of interest is fixed permanently at 3 per cent., there will be no inducement for bankers to risk the circulation of national notes; but the very circumstance of the government being always open to receive the surplus money capital at that rate, in itself would tend to enhance the rate for trading purposes; while the increased energies which a rational and compatible system of currency would tend to excite, and the progressively increasing consumption which would necessarily ensue, would enable 5 per cent. interest per annum to be readily paid on all money borrowed for manufacturing and trading

purposes. A currency based as we have here proposed, on the capital of the national annuities, would not merely suffice for all purposes of internal interchange far more conveniently and preferably than gold, but it is susceptible of such an order of management as to serve at all times as an indicator of the activities and condition of the country.

94. The present circulation of the United Kingdom may be stated as follows: viz.

Bank of England notes about	18,000,000
Country Banks:	
England and Wales	7,500,000
Scotland	3,500,000
Ireland	5,000,000
Gold	26,000,000

Total £60,000,000

Exclusive of about £7,000,000 of silver, the circulation of which would not at present be altered by the adoption of the measure we have here proposed. The total of gold coined since the termination of the war in 1815, up to this time (1833), amounts to about £50,000,000; but the large transfers of capital from British to foreign securities, which took place more particularly in 1817-18, and more or less since that date, have led to the export of about £20,000,000 of gold, and three to five millions more has probably been absorbed for manufacturing purposes; the proportion left for the purposes of circulation may therefore be estimated as stated above, and £60,000,000 as the aggregate amount of circulating medium; but it does not circulate, and hence the embarrassment which so extensively pervades the productive interests of the empire. It will be seen by col. 10, of statement III., that from £7,000,000 to £10,000,000 of gold is constantly dormant in the coffers of the Bank of England; £3,000,000 to £5,000,000 more will in like manner be dormant in the drawers of the other bankers of the kingdom; while an equal amount of the Bank of England notes will be dormant in the hands of the private bankers of the metropolis, to meet sudden and unexpected demands; so that in reality the proportion of active circulating medium is less than £40,000,000.

95. We have shown in sect. 81 that, independent of the circulating medium exhibited above, bills of exchange in the manufacturing districts constitute the chief circulating medium; there is also another description of bills which are intimately connected with the question of circulation, viz. the Exchequer bills, as exhibited in col. 13, of statement III.: the function of these bills is, they are held principally by the metropolitan bankers, as an immediately convertible means of meeting any sudden or unusual demand upon them; being a legal tender for duties of customs, excise, &c., they are always convertible into current money within twenty-four hours; the Bank of England hold a considerable amount of these bills, for which they receive interest, giving in exchange their own notes, bearing no interest. We shall offer no observation here on the impropriety of such a system, but proceed to show the amount of national notes likely to be required for facilitating the most ex

tensive interchange of productions, the way in which they would at once be put into circulation, and the consequences which would necessarily follow the adoption of such a measure. To withdraw suddenly such an amount as £26,000,000 of gold from its function as currency, and throw it at once on the market as metal, or an article of merchandize, might lead to embarrassment; the government might therefore take all that offered, at some fixed rate to be agreed upon, in exchange for national notes; this we will suppose to call for £15,000,000, or perhaps £20,000,000, of notes: the Exchequer bills outstanding will be seen by col. 13, of statement III. to amount to £27,000,000; the whole of these would at once be converted into currency or national notes; and the claim of the Bank, beyond their subscribed capital, being about £23,000,000, in which, however, about £8,000,000 of Exchequer bills is included, leaving about £15,000,000 to be liquidated in currency or national notes; and, in addition to these, it is probable that from £5,000,000 to £10,000,000 more of notes would be almost immediately demanded for legitimate banking purposes in different parts of the United Kingdom. Thus the entire issue of national notes in the first instance may be estimated as follows, viz.

Against gold	15,000,000
Do. Exchequer bills held by private bankers, &c.	19,000,000
Do. do. by the Bank of England	8,000,000
In final settlement with do.	15,000,000
Demanded by provincial banks	7,500,000
<hr/> Total	<hr/> £64,500,000

96. It is probable, however, that a portion of the amount issued against gold, as well as to the Bank, would seek to be funded, say to the amount of about £14,500,000, leaving £50,000,000 for active circulation. Proceeding upon these premises, let us, in the next place, see how the government and the public will then stand in relation to each other. The government will gain on behalf of the public, on one side, the interest on the Exchequer bills to the amount of about £700,000 per annum, and incur, on the other side, an obligation on the new stock to be created of £435,000 per annum, and be liable to the expense of manufacture and issue of the notes, equal probably to £200,000 per annum more; but then the government will be in possession of from £15,000,000 to £20,000,000 value in gold, which may either be disposed of gradually, as occasion may serve, in purchase of beneficial arrangements of intercourse with the several nations of the world, or held in whole, or in part, as a reserve for war, failure of harvests, or other contingencies: at all events an important object will be gained for all parties, by withdrawing it from fettering the circulation, and cramping the productive energies of the country.

97. The two objections to a paper circulating medium are its liability to excess of issue, and imitation. The first of these objections is valid enough, when issued as it was by country bankers, upon their individual credit, or as it might be if issued indefinitely by a government; but

the objection does not apply to the proposition here advanced, based, as here proposed, on the £800,000,000 of national obligation; inasmuch as no more will be converted into currency than will be necessary for its legitimate purpose of facilitating the exchange of commodities, aiding the means of production, and advancing those improvements which the spirit of the age invites, and which such an order of currency is in itself calculated to promote and encourage: when it ceases to be required, and to find active and profitable employment for such purposes, it will revert back for conversion into stock, and thereby serve at all times as an indicator of the state of the activities of the nation; and if, from any temporary current of feeling which caprice or any other cause may engender, the notes should press in, for fixed investment, to an extent indicative of an undue contraction, the quarterly payments of the government will lead to a re-issue, whereby a uniform and just equilibrium may always be maintained. The objection in regard to imitation is one which cannot be entirely overcome; but the objection lies equally strong against a metallic currency, and it is questionable if recent improvements in the arts will not afford greater protection against the imitation of paper than can be obtained against the admixture, or debasement, and abrasion of metal; against which, for the purposes of currency, we might proceed to point out various other objections, while none other of a valid nature can be brought against paper.

98. To fix permanently the rate of interest for the £800,000,000 capital stock of England at 3 per cent., while the rate of interest on the public securities or stock of all other countries rates from 5 to 6 per cent., may seem to be a measure calculated to induce a transfer of the capital of England to other countries; we will therefore now show how the attempt at a transfer of property would operate. A stockholder in England is desirous to transfer a given sum, say £5,000, of stock from England to France, or any other country; the stock in England being convertible on demand into currency notes at pound for pound, if the transfer is attempted to be made in gold, gold will be sought after as an article of merchandize, and a price demanded for it accordingly. A demand for such a sum as £5,000 would not probably produce any effect on the price; but, in proportion as the amount is attempted to be increased, a price will be demanded for gold calculated to check the operation; so that, whatever may be the nominal rate of interest in the different countries of the world, a due equilibrium will be maintained through the medium of a fair market price for that metal. To a certain extent, transfers of capital may continue to be made, as they have hitherto been, through the medium of the export of the products of British labour; and the demand for gold will not show itself until a difficulty ensues in the disposal of British productions to an additional extent, corresponding with the amount desired or attempted to be transferred. In like manner, on occasions of a sudden demand for supplies of foreign grain, derangements in the circulating medium will be prevented, and the exchange for

grain be more confined than heretofore to productions of British labor, inasmuch as gold will experience the effect of a rise in price more immediately than any other article.

99. A circulating medium founded on the basis we have here proposed, while it would free the energies of the country from the chains in which they have for eighteen years past been enthralled, would at the same time render the practice of banking more simple and intelligible, and thereby render it likely to be more extensively carried on, and more generally useful, than it has hitherto been. The government, on behalf of the public, being the only issuers of circulating medium, the only security required from bankers will then be for the deposits made with them; this must at all times, and under all circumstances, be an affair more or less of risk, whether banking be conducted by individuals, by partnerships of two, three, or more members, or by an extended joint-stock proprietary, inasmuch as all are equally exposed to chances, which no reasonable amount of capital, nor prudence, can absolutely prove a protection against. Joint-stock companies, with a capital avowedly subscribed and actually paid up for the purpose of aiding the productive industry of the districts in which they may be formed, afford, generally speaking, a more ample security than individuals; while, on the other hand, the individual or more private establishments afford the greatest facility: joint-stock, or public companies, are too apt to be governed by fixed rules of practice, while with the individual banker a strong mutual confidence generally prevails between him and the parties with whom he is connected in business transactions; and he more readily yields to the exigencies of particular circumstances, which the forms or fixed rules of public companies prevent.

100. The scheme we have here proposed will be seen not in the slightest degree to alter the practice of banking in regard to deposit, discount, and agency, but effectually separates from them the practice of issue; and, as it was the issue of notes, and not the advantages derived from deposit, discount, and agency, which more particularly constituted the exciting principle of provincial bankers in the United Kingdom from 1798 down to 1819, and which still constitutes the leading feature of banking in Scotland, and with the provincial bankers of Ireland, as well as of several of those of England and Wales, as far as their reissuable notes of £5 and £10, &c., are concerned, and as we propose the extinction of all provincial reissuable notes on demand of larger amounts, as well as of £1 and £2, we have to show how the provincial banker is likely to be affected by the suppression of his £5 and £10 notes. We have shown in § 73, that while these notes are issued at the rate of five per cent. per annum, the issuer is obliged to provide two protecting capitals to a certain extent to meet them, which, with the stamp, probably amounts to little less than three per cent. on his whole circulation; so that the circulation of the national notes at the rate of five per cent. per annum, which will cost him only three per cent., will afford him an equal if not greater advantage

than that derived from the issue of his own notes. There is, however, another species of circulating medium, and a practice in provincial banking which we have not yet described; in the development of which we shall suggest an alteration that will more than compensate the provincial banker for the suppression of his reissuable notes.

101. A prominent feature in the practice of the provincial banker is taking in deposits from the traders of his town and district; if it is a manufacturing district, the cash or money deposits which the banker receives from the shopkeeper and trader, suffice to supply the manufacturer with the necessary funds or means for paying his wages, &c., while the deposits of the shopkeeper or trader are liquidated by the banker drawing in their favour on his house of agency in the metropolis, in bills at forty-five days' or two months' date, in such amounts as the demands of the shopkeepers require for their purchases in the metropolis or elsewhere. These bills, being drawn upon, and accepted by, the metropolitan banker, require, like the provincial bankers' promissory notes on demand, a protecting capital in the hands of the metropolitan agent. Now, if in future these bills are drawn payable at, instead of upon, and to be accepted by, the metropolitan agent, no protecting capital will be requisite until within a day or two of their becoming due. By such a change of practice as this, the provincial banker will be enabled to extend his accommodation in his district as effectually, and more advantageously to himself, than by the circulation of his own notes, which are always liable to revert back upon him without any previous notice, while the drafts, as here proposed, will give him a definite time for providing for them.

102. We have so far described all the various modes of banking, as practised in the United Kingdom, as well as the nature and amount of the circulating medium, and shown the extent to which banking transactions have been carried on, as far as the internal transactions of the kingdom are concerned; its external transactions, however, independent of its exports and imports, tend greatly to augment the aggregate of banking operations, and, in some degree, to augment the amount and vary the character of the circulating medium. During the war from 1793 to 1815, bills, to the amount of from £5,000,000 to £25,000,000 annually, were drawn in different parts of the world on account of the British government, for subsidies and supplies to the fleets and troops of England every where distributed; these bills were generally drawn payable at thirty or sixty days' after sight, and were remitted in payment of British products exported; and, when accepted by the department of government to which they were addressed, entered more or less into the circulating medium of the country.

103. Since the termination of the war, the transfer of capital from British to Foreign security has given rise to a drawing of bills on England to the amount of £5,000,000 to 7,000,000 annually; British and Irish absentees, and travellers in different parts of Europe, give rise

to nearly a corresponding amount of bills; and, in addition to these and such bills as are legitimately drawn on account of foreign products imported, mercantile houses of established reputation give rise to other bills to the amount of several millions annually, based merely on the credit of the respective drawers. In addition to the sixty banking establishments of the metropolis, as described in § 79, there are about twenty other establishments, through whom most of the bills here described pass, and whose transactions partake as much of banking as they do of a mercantile character. They draw bills for any amount on any part of the world, and give money for those drawn by others; and accommodate, in that way, the commercial transactions of the world at large, as the bankers of Manchester and Liverpool (see § 81) do the transactions of their respective districts; these foreign transactions are designated exchange operations.

104. Having now explained all the modes of banking and exchange of the United Kingdom, in regard to its external transactions as well as its internal, we will now proceed to show the nature and extent of banking in France. By the law of 24 Germinal, year xi. (14th April, 1803), the bank of France was established with a capital of 45,000,000 francs, afterwards doubled, with an exclusive privilege of issuing of notes for 40 years. The operations of this establishment consist, 1st, of discounting bills of exchange, not exceeding three months' date, and with the signatures of three parties, undeniably (*notoirement*) solvent, or with two undeniably solvent signatures, if guaranteed by a deposit of any public stock or other readily convertible security.

2nd. To advance money on bullion and foreign coins, not less than 10,000 francs in amount, at the prevailing rate of interest for 45 days.

3rd. To afford security of deposit for bullion, coin, diamonds, and deeds, for a charge of one-eighth per cent. for six months.

4th. To open accounts, current or drawing accounts, for public establishments and private persons, demanded under proper regulations.

5th. To furnish all persons with *récépissés* for all amounts payable at sight. These correspond with the post bills of the bank of England.

This establishment from its commencement has maintained a high and deserved reputation. Its capital is divided into 90,000 shares (actions) of 1000 francs each, 67,900 of which are in circulation: the emolument of the establishment arises chiefly from the discount of commercial bills, which amounts to about 3,600,000 francs per annum; the amount discounted averaging about 560,000,000 francs per annum. The interest on treasury bonds does not exceed 250,000 francs per annum, and the emoluments derived from interest on bullion and coins, and commission on deposits, does not exceed 150,000 francs per annum; the remaining portion of the income consists of about 2,300,000 francs of *rentes*. The charges of the establishment for clerks' salaries, &c., amount to about 900,000 francs per annum.

105. Although this is the only bank of paper circulation in all France, the amount does not exceed 200 to 250 millions of francs (£8 to 10,000,000) in notes of 1000 francs and 500 francs, against which the bank holds a reserve of specie of from 180 to 200 millions of francs; hence it would appear that the notes are circulated more for the convenience of the public than with a view to profit. This establishment is under the direction of a governor and two deputy governors appointed by the king—the first must possess 150, and the latter 50 shares each; a general council of fifteen members; three *censeurs*; a council of accounts, consisting of twelve members; nine chiefs of department, and six cashiers; under whom are employed about 200 clerks, porters, &c. A clear and circumstantial account and report of the proceedings and state of the establishment is published half-yearly.

106. The *Almanack du Commerce de Paris* enumerates, under the head of *banquiers*, about 160 establishments in that city; and, to a certain extent, these establishments take in deposits and discount bills in a way not dissimilar to the bankers of London, while their general business is essentially different. In the first place, with the exception of the 200 to 250 million francs of notes of the bank of France, the circulating medium of France is composed entirely of silver: since 1816, she has raised upwards of 3,500,000,000 of francs on annuities, (*rentes*), and coined upwards of 200,000,000 francs of circulating medium. These operations have given rise to an active correspondence and exchange with the capitalists of all Europe, and have been participated in, more or less, by all of the 160 establishments adverted to above; but, on the whole, the transactions of the greater part of them partake more of the character of mercantile agency than of bankers. The cities of Bourdeaux, Lyons, Lisle, &c. have each several similar establishments denominated bankers, who facilitate payments in Paris and other distant parts of France, and different parts of Europe; but France has no establishment for economising and rendering active and profitable the deposits of the public; this is a principle which she has yet to learn and reduce to practice.

107. All the capitals and several other of the principal cities of Europe have now their banking establishments. Next to the bank of France, the *Imperial Commercial Bank of Russia* holds the highest place. At the close of the war in 1817, Russia had a paper circulation amounting to upwards of 830 millions of roubles, about £40,000,000. Since 1817 a considerable portion of the paper roubles have been converted into annuity stock, and loans have been raised in foreign countries to enable a further part to be exchanged for specie; and, in 1821, the paper roubles were reduced to 639 millions. The paper rouble, however, in notes some as low as one rouble, forms the bulk of the circulating medium of Russia; and with such a circulation the *Imperial Commercial bank* was established in 1818, with a capital of 17,295,345 roubles; and the following report of the finance

minister, Count Gourieff, in May, 1821, will best show its progress up to that time; since when it has been gradually advancing in activity and usefulness, merely as a bank of deposit, discount, and agency; the government being the only issuer of the circulating medium.

108. "The increasing transactions of the Imperial commercial bank, which afford such great facilities to merchants, are not of less advantage to the other classes of society. The considerable sums which it throws into circulation cannot fail in moderating the general rate of interest. In order to be of still greater service to commerce and industry, in conformity with the intentions of the law of the 7th May, 1817, the bank, besides the one it had opened at Moscow, has established new ones at Archangel, Odessa, and at Nigninogorod, during the time that the annual fair is held in that city; it has also now a branch bank at Riga, and will establish one in future in all the principal cities of the empire. Pursuing all the same objects, and strictly conforming to the same principles, they have, in a very short space of time, given great extension to the circulations of trade, and afforded them considerable facilities. The account rendered of the operations of the bank in 1820 will convince you, gentlemen, that, if on the one hand the resources of this establishment have been augmented with large additional capitals, deposited in its coffers by private persons, merchants on the other hand, sensible of the advantages it offered them, have entrusted it with a large proportion of their business, and have in a manner turned over to the bank and its branch establishments the whole of their financial circulations. With what remained over of the preceding year, the bank and its various provincial branches have, in the course of the year 1820, received and transferred more than 68 millions; 33 millions of which has been transmitted from one city to the other by means of drafts upon each other. The deposits upon interest confided to the bank here, and its office at Odessa, have amounted to 86 millions of paper roubles, and three millions metallic ditto. Deducting what has been drawn out, there remained on the 1st of January, 1821, 58,156,935 roubles, 69 copecks in bank notes, and 555,822 " 55 " specie.

"At the commencement of the year 1820, these deposits only amounted to 33,304,000 roubles in notes, and 1,933 roubles in specie. This augmentation proves that the capital and credit of the bank are increasing; by which it will acquire additional means of extending its discounts, by employing to that effect a part of the sums confided to it at interest. With the above amounts added to what remained over of 1819, the bank discounted in 1820 effects to the amount of 182 millions; and what proves the circumspection of the bank in the choice of these effects, is, that only 69,459 roubles 83 copecks have been protested; for the payment of which, actions at law have been instituted. The bank only advanced 5,200,000 roubles upon merchandize, and, deducting what it has received back, there did not remain due more

than 2,317,687 roubles; the re-payments have all been made with punctuality. The discounts have greatly exceeded the advances upon merchandize, which evinces the progress individual credit has experienced. The fund, or capital of the bank, amounted, at the beginning of 1820, to 20,910,173 roubles, 14 copecks: it accumulated in the course of the year to 24,889,950 roubles, 11 copecks. The nett profits of the bank, over and above the interest paid and remaining due upon the deposits confided to it, after deducting the charges of its establishment, amount to 1,946,825 roubles, 45 copecks, being about 7 per cent. on its capital. Altogether the bank and its offices have transacted business during the last year, 1820, for

955,561,231 paper roubles, and
12,052,842 metallic ditto."

109. The Bank of Issue was established in St. Petersburg, in 1768, when 40,000,000 of roubles in paper were first put in circulation, afterwards increased to 100,000,000; it was during the war from 1802-3 to 1810 that the issue became so extended. In February of the latter year, when the amount in circulation exceeded, as before stated, 830,000,000 of roubles, an *Ukase* was issued, declaring all the property of the state a guarantee for the validity of all the notes then in circulation, and that no further increase should take place. After the termination of the war, in 1815, the Bank of Issue established in 1768 was converted into an *Assignment Bank* for the exchange of new notes for old, and between the 1st of Jan. 1817, and the 1st of Jan. 1821, in addition to 191,109,420 roubles withdrawn from circulation, 632,603,115 roubles in new notes had been issued for the same amount of old issued previous to 1817; in this amount 6,857,155 roubles of *forged notes* were included as a loss to the state, against which 12,287,465 roubles of legitimate notes are assumed as gained by the state, old notes to that amount never having been presented for exchange. In addition to the assignment and commercial banks, the capital of Russia has another establishment denominated a *Loan bank*, which takes in deposits from one class of individuals, and lends out on security to public bodies or individuals engaged in works of public utility. This establishment bears some analogy to the exchequer bill loan office of the British government, the difference being, that in Russia the loans are made out of deposits, and in England the government issues bills which are converted into money on the Stock Exchange.

110. Calcutta, and the other principal cities of the Peninsula of India, Rio-Janeiro, Buenos Ayres, New South Wales, the Cape of Good Hope, and Canada, have now all their banks, founded chiefly on the principles of the provincial banks of England, and therefore requiring no especial elucidation. It is in the United States of North America where, next to Great Britain, banking has made the most rapid progress, and produced the most extraordinary results. The capital of all the banks in the Union, in 1790, did not exceed 2,000,000 dollars. In 1791 a national bank was chartered for twenty years, with a capital of 10,000,000 of

dollars; and, previous to the expiration of its charter in 1810, eighty-eight other banks had been established in different parts of the Union, with a capital of 42,610,000 dollars, in addition to the capital of the national bank. The dissolution of the Bank of the United States in 1810 gave rise to no less than 120 new establishments during the four years 1811-14. In August and September, 1814, all those below Connecticut in the statement in § 113, suspended payment in specie, consequent on the effects of the war declared in June, 1812; and the following depreciation ensued on the notes of the several banks of New York, Philadelphia, and Baltimore :—

	New York.	Philadel- phia.	Balti- more.
1814 September . . .	10	—	20
October . . .	10	—	15
November . . .	11	—	10
December . . .	11	—	14
1815 January . . .	15	—	20
February . . .	2	—	5
March . . .	5	—	5
April . . .	5½	—	10
May . . .	5	—	14
June . . .	11½	9	16
July . . .	14	11	20
August . . .	12½	„	19
September . . .	13	15	20
October . . .	16	„	21½
November . . .	12½	16	15
December . . .	„	14	18
1816 January . . .	„	„	15
February . . .	9	„	13
March . . .	12½	12½	18
April . . .	10	14½	23
May . . .	12½	14	20
June . . .	„	17	20
July . . .	6	15	15
August . . .	5	10	12
September . . .	3	7½	10
October . . .	2	9½	8
November . . .	1½	7	9
December . . .	2½	7	9
1817 January . . .	2½	4½	3
February . . .	„	4	2½

111. The derangement in social affairs inseparable from such a variation in the circulating medium led to the proposal of the secretary of the treasury in December, 1815, for a new national bank, founded, as the report avowed, "on the necessity of restoring specie payments and the national currency." The charter was confirmed by Congress in April, 1816, and organised for business in Jan. 1817, with a capital of 35,000,000 of dollars; and by Jan. 1820, the number of other banking establishments had increased to 307.

The following statement shows the appropriation of the shares of the Bank of the United States in Jan. 1832; the amount of notes in circulation at each of its branches in Sept. 1829; and amount of specie on hand at each branch in Jan. 1832.

Branches.	States.	Number of		Notes in Circulation, in Sep. 1830.	Specie on hand, Jan. 1, 1832.
		Share- holders	Shares of 100 ds. ea.	Dollars.	Dollars.
Chief Office	Philadelphia	872	51,028	1,367,180	2,811,641
Pittsburg	Pennsylvania			554,102	31,810
Portland	Maine	14	498	79,280	70,452
Portsmouth	N. Hampshire	24	511	101,985	50,111
Boston	Massachusetts	211	11,175	271,180	328,378
Providence	Rhode Island	36	1,218	113,920	102,028
Hartford	Connecticut	60	1,559	171,532	28,094
New York	City	373		634,733	664,667
Utica	New York	69	30,881		67,751
Buffalo	do.			258,130	105,232
Burlington	Vermont	2	27	95,595	72,422
Baltimore	Maryland	624	34,235	528,638	228,000
Washington	Dist. of Col.	61	2,725	647,602	54,611
Richmond	Virginia	268	11,617	469,440	197,212
Norfolk	N. Carolina	36	2,391	713,760	18,944
Fayetteville	S. Carolina	730	40,242	835,840	271,468
Charleston	Georgia	42	1,981	522,605	376,642
Savannah	Alabama			940,825	153,672
Mobile	Louisiana	17	119	2,623,320	510,346
N. Orleans	Mississippi				57,826
Natchez	Missouri			223,700	136,897
St. Louis	Tennessee	5	258	1,235,275	167,866
Nashville	Kentucky	22	252	662,375	217,431
Louisville	Ohio	14	556	908,625	91,513
Lexington	New Jersey	75	2,787	647,240	111,028
Cincinnati	Delaware	42	1,531	No branches established in these States; those at Utica and Natchez appear to have been established since 1829	
	Indiana	2	50		
	Illinois	2	167		
	Arkansas	1	42		
	English	470	84,055		
Held by Foreigners, chiefly			70,000		
By the U. S. Government			115	2,375	
In Transfer					
Totals		4072	350,000	15347657	7,038,823

112. The statement A, at page 480*, shows the situation of this bank in each of the twelve years 1819-30, according to which it appears that, at the close of the latter year, its assets exceeded its liabilities by 2,766,129 dollars; at the same time, its specie amounted to only 7,175,274, while the amount due to foreign shareholders was 8,405,500 dollars; and while, in the event of the dissolution of the bank, 28,000,000 dollars in specie would be due to shareholders, independent of 7,000,000 to the United States Government, the specie in all the banks of the Union (the bank of the United States included), was only 22,114,967 dollars; yet, under such circumstances, the president of the United States in 1832 refused to ratify an act of Congress for the extension or renewal of its charter.

113. The following statement shows the number of banks in operation in each state of the union in June 1830, and the aggregate amount of capital in each state, and also of the number of banks which failed between the 1st of Jan. 1811, and the 1st of July 1830, with the amount for which failed in each state.

Banks in Operation in the United States of North America, on the 1st. of January, 1830.			Banks which failed between the 1st Jan. 1811 and July 1, 1830.	
STATES.	No. of Bks.	Amount of Capital, in Dollars.	Bks.	Capitals.
1 Massachusetts	66	20,420,000	6	850,000
2 Maine	18	2,050,000	8	1,150,000
3 New Hamps.	18	1,791,670	2	129,600
4 Vermont	10	432,625	-	-
5 Rhode Island	47	6,118,397	1	200,000
6 Connecticut	13	4,485,177	2	600,000
7 New York	37	20,083,353	10	3,378,676
8 New Jersey	18	2,017,009	7	1,142,400
9 Pennsylvania	33	14,609,963	16	1,811,558
10 Delaware	4	830,000	1	45,000
11 Do.	2	no return.	-	-
12 Maryland	13	6,250,495	9	1,821,162
13 Dist. of Col.	9	3,875,794	4	1,657,460
14 Virginia	4	5,571,100	10	421,415
15 N. Carolina	3	3,195,000	2	-
16 S. Carolina	5	4,631,000	1	20,000
17 Georgia	9	4,203,029	1	480,000
18 Louisiana	4	5,665,980	2	924,000
19 Alabama	2	643,503	3	337,112
20 Mississippi	1	950,600	-	-
21 Tennessee	1	737,817	4	2,229,782
22 Ohio	11	1,454,386	18	1,911,179
23 Michigan	1	10,000	1	10,000
24 Florida	1	75,000	-	-
25 Kentucky			18	4,307,431
26 Indiana			2	257,624
27 Illinois			2	162,910
28 Missouri			2	400,000
	330	110,101,898	129	24,212,339
Unascertained, principally in Kentucky.			36	

114. Statement B, at page 480*, shows the progress of banking institutions in the United States of North America since 1811, and the situation of all the banks of the Union in 1830, in regard to their capital, notes in circulation, specie, and deposits. The states are there exhibited in five districts, for the purpose of showing the inequality of specie in different parts of the Union. In the western states 2,686,396 dollars in specie are held to sustain a circulation of 4,684,860 dollars in notes; while in the state of New York, and the adjoining states of Connecticut on the north, and New Jersey on the south, the centre of all the activities of the Union, the circulation of 12,737,539 dollars in notes is sustained by only 2,841,746 dollars in specie. This statement is further interesting in showing the very limited amount of specie in the aggregate, with which all the exchanges between a population of 13,000,000 to 14,000,000 of people, maintaining an active and extensive intercourse with all the nations of the world, are facilitated and effected; 22,000,000 dollars in specie, less than £5,000,000, sustains the operations of 350 banks of circulation, including the branches of the national bank, diffusing life and energy over 100,000,000 square miles of territory; we say sustains the operations of the banks, inasmuch as it forms no part of the circulation, but is held as a protection to the 61,000,000 of notes which, with about 10,000,000 of dollars in small coins, forms the exclusive

circulating medium of that extensive and rapidly improving territory.

115. While in the act of writing the preceding sections [on the 31st May, 1833] the chancellor of the exchequer of Great Britain and Ireland was developing to parliament, in committee of the whole house, propositions for the extension of the charter of the Bank of England for a period of twenty-one years, subject "to the contingency, that, if at the end of ten years the then government should think proper to alter the system, it should have the power to give a year's notice to the Bank; and, in that case, if the government so desired, that the charter would expire at the end of the eleventh year:" subject to this condition the chancellor of the exchequer proposed "to continue the *monopoly* to the Bank of England as far as regarded the metropolis—that was, that no bank with more than six partners should be allowed to *issue notes* in London, or within sixty-five miles of it." It was next proposed that the Bank should make a weekly return to the treasury of the amount of bills and notes in circulation, and also of deposits, and that the average of such issues and deposits should be published quarterly. The chancellor of the exchequer then said, "*that the convertibility of bank notes to bullion was essential to a sound system of banking!!!* but having a bank secured by a ready check, such as that which he had stated, he did not think there would be any danger in securing banks against sudden internal drains of gold. He proposed, therefore, to make Bank of England paper a *legal tender* in every place except at the Bank of England itself, or at its branch banks."

116. It was next proposed to diminish the capital of the Bank from its present amount of £14,600,000 to about £11,000,000, and that the Bank should give the fixed sum of £120,000 per annum out of the amount now allowed by law for the management of the public banking account and transfers of the national annuity account. So far in regard to the Bank of England; when it was next proposed that every banking company of more than six partners should be a joint stock company, such company to be established by charter; and if using the paper of the Bank of England, may be established within the limits of the Bank of England's monopoly, viz. sixty-five miles of the metropolis: the conditions on which charters are granted to be, that when issuing their own notes half the subscribed capital shall be paid up and deposited either in the government funds, or some equally good securities, and the partners to be liable to an unlimited responsibility; but if using the paper of the Bank of England, then only one quarter of the subscribed capital to be paid up, and the partners only liable to the amount of their shares. The government to have the power of deciding on the propriety of granting the charters; and with the view of enabling the government to know at all times the exact amount of country bankers' notes in circulation, a duty of 7s. to be charged on every £100 of notes which they issue. A statement of the accounts of each individual bank should be

sent to the government, as a strictly confidential paper, not to be published separately, but to enable a general result of the banking operations of the kingdom to be given to the public periodically.

117. The following is a recapitulation of the propositions in the official form, *verbatim*, in which they were submitted to the committee.

1. That it is expedient to continue, for a limited period, to the Bank of England, certain of the privileges now vested by law in that corporation, subject to such conditions as may be provided by any act to be passed for the purpose.
2. That, provided the Bank of England shall be bound by law to discharge, in the legal coin of the realm, all such of its debts and liabilities as shall be demanded at the Bank of England, or at any of the branch banks thereof, it is expedient that the promissory notes of the said corporation be made a legal tender for all sums of £5 and upwards.
3. That provision be made by law during the present session of parliament, for the repayment to the Bank of England of one-fourth part of the amount of the debt now due by the public to that corporation.
4. That the rate of allowance and remuneration now secured by law to the Bank of England for the management of the public debt, and services rendered to the public, be continued to that corporation for the limited period to be fixed as aforesaid, subject to an annual reduction of £120,000.
5. That the laws restricting the interest of money to 5 per cent. shall be repealed, so far as they relate to bills of exchange not having more than three months to run before they become due.
6. That it is expedient to give facilities, by the grant of royal charters, for the establishment of joint stock banks, at a certain distance from London; but that every such royal charter shall contain certain stipulations to be enforced with respect to all such chartered banks.
7. That all banks issuing promissory notes payable on demand, shall enter into a composition in lieu of stamp duty, at the rate of 7s. for every £100 on the notes which such banks shall have in circulation.
8. That it is expedient to make provision with regard to joint stock banking companies.

118. It will be seen by the three preceding sections, 115-117, that the object aimed at by the propositions submitted by the chancellor of exchequer to parliament, is, to establish an uniform order of paper currency, based on gold at £3. 17s. 10½d. per ounce; and to vest the control of the circulation and the profit thereof in the hands of the Bank for a limited term of years, thereby continuing a monopoly (as we shall show hereafter) of the most objectionable kind, in opposition to the general voice and feelings of the bulk of the people, as well as to the prevailing tenets of the government itself. One point to which we have not yet adverted is contained in

the fifth paragraph of the official propositions above; holding this in view, we will now proceed to show the objections to the scheme in general as well as in detail on one side, and the advantages which it promises on the other. Making the notes a *legal tender* convertible into gold only at the Bank of England itself, or its branches, is a part of the scheme which tends to an enlargement of the circulation, and, as such, promises to facilitate the operations of industry; and the scheme is so devised as to enable the Bank to withdraw all its branches for the purpose of concentrating the convertibility into gold in the metropolis alone; it doubtless being the intention of the Bank of England to withdraw its branches wherever joint stock banks are established to circulate its paper. As far as making the notes a legal tender, the scheme is good: nor is there any objection to be offered to the general principle on which joint stock banks are proposed to be established; and the return of their circulation, liabilities, and assets, is proper and commendable.

119. But the scheme is exceedingly objectionable on the three following grounds, viz.

1st. As being based on gold at a low fixed price, instead of on the £800,000,000 capital of public annuities, as proposed in section 96.

2nd. For the fluctuation and variation in the rate of interest which it so strongly tends to give rise to.

3rd. For the arbitrariness, and tendency to caprice, which it establishes, and threatens to cherish.

It is shown to demonstration in Mr. Marshall's digest of the accounts and papers presented to parliament since 1799, that the cause of the depreciated value in all our manufactured productions, and consequent diminution of profits and wages, has arisen from the large transfer of capital from British to foreign securities which has taken place since 1816. It is shown that, while since that date the British government have been instrumental in causing about £70,000,000 to be applied to the purchase of 3 per cent. stock, at rates varying from 78 to 94, equal to upwards of twenty ounces of gold, for which they received less than eleven ounces in 1813-15, a corresponding amount of capital has been vested in the public stocks of the different nations of Europe, at an average rate of interest of about 6 per cent. Thus, while about £2,800,000 of annual interest has been cancelled in England, and the country at large relieved from an annual taxation to a corresponding amount, about £4,500,000 of annual interest has been created abroad; and it is in consequence of the way, in which these transfers of capital and payment of interest become involved with the commercial transactions of Europe, that the whole of the interest on the capital so transferred, be it more, or be it less, falls wholly and exclusively on the manufacturing and productive classes of England, inasmuch as the interest is paid out of those means which otherwise would remain to augment the means of payment for the products of British industry exported.

120. It is the facility which the low price of gold affords for the transfer of capital, as de

scribed in the preceding section, that renders it so objectionable as the basis of the circulating medium. Had the circulating medium at the termination of the war been based on the £600,000,000 of stock which the war had created, or indeed on any other internal means, and gold like any other commodity been left to find its own level in price, a converse effect would have been produced to that which has, so fatally for the productive interest of England, been produced: the transfer of capital might have taken place, but it would have confined the demand more to productions of industry at remunerating prices, inasmuch as the predilection for bullion would have enhanced its price proportionate to the demand for it, and thereby have operated beneficially to the importer of bullion on one side, as well as to the exporter of the products of British industry to Europe on the other. In the first instance bullion is obtained in exchange for the products of British industry, being the *only* commodity which a great portion of the western world yet has to give in exchange: and on this commodity the British government fixes a *maximum*. How palpably ridiculous, and how palpably unjust to the commercial operator to that part of the world! He brings his bullion to a focus of operations which would probably afford him 30 to 50 per cent. more than a perverse law allows him to obtain; and this, not to benefit the party imposing or retaining the force of that law, but to facilitate another course of operations, which portend the ruin of all the productive interests of the empire.

121. It is not, however, the commercial disadvantage which a low fixed price of gold inflicts on the activities of the community, that constitutes exclusively its objection as the basis of the circulating medium. The objections are numerous; to allow the article to be demanded for one, when one and a half, or any other price would be readily given, is an absurdity too palpable to need further observation. The greatest objection, however, lies against the constant fluctuation to which it subjects the circulation at large, and constant uncertainty to which it exposes all the rewards of industry. A considerable time, it is true, may pass away without any very sensible derangement being manifest; but so long as the disproportionate rate of interest in England and the other nations of the world continues, so long will the tendency to the transfer of capital continue, and consequently so long will continue sudden and unexpected demands for bullion; and, should there be another such a harvest season as that of 1816, (and we are, from year to year, liable to a succession of such harvests, while an enlarged circulating medium would be required to sustain the enhancement of price consequent thereon), the increased demand for gold which would inevitably ensue would lead to precisely the opposite effect. We might

pursue the subject to a much greater length, but we trust enough has been said to prove the folly of such a basis as gold, for the circulating medium of a community so constituted as that of England.

122. The space assigned for this article precludes us from entering into any further elucidation of this interesting and important subject; except a few observations on the subject of SAVINGS BANKS, institutions for the deposits of small sums.—Schemes for this purpose were first suggested at the close of the last century; but it was subsequent to the termination of the war in 1815 when they were made a government measure, by a fixed rate of interest being guaranteed to the depositors. Between January 1815, and November 1830, 402 banks had been established in England and Wales; at the latter date the number of depositors amounted to 378,316, exclusive of 4278 Friendly Societies, and 1826 charitable institutions, and the total sum deposited £13,420,976; at the same date there were 73 banks in Ireland, the total number of depositors 34,638, and the sum deposited £945,991. The deposits in these institutions have been considered by some as evincing growing prudential habits, and consequently increasing comfort and independence of the working classes; but this is fallacious: during the earlier years of these institutions, the rate of interest guaranteed to the depositors considerably exceeded the interest yielded by the public Annuity Stocks; the more crafty, therefore, of the monied fraternity, sold 3 per cent. stock and vested it in the Savings Banks; and to obviate the obstacle which the limitation of deposits in Savings Banks prescribed, being not more than £20 at any one time nor exceeding £200 per ann., the sums transferred from the 3 per cents., were deposited in the savings banks in the names of the wife, children, and relations of the parties so transferring, and by this artifice, instead of £200, from £1000 to £2000 has been annually transferred. The rate of interest on the deposits in savings banks having been lowered, the inducement to transfer from the 3 per cents. is diminished, and the transactions of the savings banks are now more confined than heretofore to the class of persons for whom they were intended. The principle on which the Saving Banks are founded, and their economy of management, are unexceptionable enough, but they have, nevertheless, up to this time, had a most baneful effect. The deposits are vested in the 3 and $3\frac{1}{2}$ per cents. by the commissioners of the sinking fund, as the trustees of the depositors; the total sum deposited has therefore aided the transfer of a corresponding amount of capital from British to foreign security. For a more complete elucidation of the working and effect of these transactions, see the article SAVINGS, in the further part of this work.

Statement A, showing the situation or condition of the Bank of the United States, in each of the twelve years 1819-30. The amount of the total liabilities in column No. 7 is made up of the 35,000,000 dollars, due equally in each year to the shareholders, in addition to the amounts due to depositors, and holders of notes, as exhibited in cols. 8 and 9.

ASSETS.						LIABILITIES.			
	Bills discounted.	Domestic Bills.	Funded Debt.	Real Estate.	Specie.	Total Dollars.	Total Dollars.	Proportion of Deposits.	Notes in circulation.
1819	32,211,674	336,760	7,236,153	—	2,743,834	45,791,511	42,528,421	5,734,682	5,056,829
1820	28,808,267	1,526,600	8,258,701	—	5,214,773	45,991,960	43,808,341	6,581,628	4,410,332
1821	27,099,050	1,598,473	11,859,296	245,846	6,469,224	47,599,293	47,271,689	6,990,073	5,609,220
1822	28,574,893	2,394,688	13,116,004	579,152	3,711,145	46,927,905	48,376,082	6,365,570	5,562,335
1823	30,584,919	2,588,245	10,911,700	736,370	4,899,686	50,073,057	49,720,920	10,401,786	4,671,271
1824	29,478,255	2,563,672	13,373,095	1,393,193	5,909,351	53,853,604	52,717,566	12,918,108	5,935,496
1825	29,327,219	3,270,699	19,807,665	1,566,728	4,686,557	58,722,376	58,658,868	12,885,829	8,836,646
1826	29,592,103	3,592,145	17,885,210	1,745,566	5,174,643	57,814,051	57,989,667	12,578,523	10,235,528
1827	27,948,592	4,568,297	17,724,192	2,118,560	6,327,758	59,535,518	58,690,399	13,727,274	10,808,244
1828	30,820,944	6,018,784	17,127,077	2,298,352	6,205,107	61,868,559	62,470,264	14,454,169	12,414,390
1829	32,703,280	8,417,021	13,925,701	2,474,750	6,411,998	65,183,516	63,942,759	15,172,164	15,011,352
1830	32,541,124	7,476,321	11,717,071	3,876,404	7,175,274	66,322,274	63,556,145	14,788,809	13,048,984
	1	2	3	4	5	6	7	8	9

** The total liability in the last year includes 1,161,001 dollars under the head of foreign account, and 2,375,079 due from banks, and notes of ditto.

Statement B, showing the progress of Banking Institutions in the United States of North America, from 1811 to 1831, and the situation of all the Banks of the Union in 1830 in regard to their capital, notes in circulation, specie, and deposits.

	Capital.	Notes.	Deposits.	Specie.
88 banks, January 1, 1811	42,610,601	22,700,000		9,600,000
United States Bank	10,000,000	5,400,000		5,800,000
Total	52,610,601	28,100,000		15,400,000
208 banks in 1815	82,259,590	45,100,000		17,000,000
246 do. 1816	89,822,422	68,000,000		10,000,000
307 do. 1820	102,110,611	40,641,574	31,244,959	16,672,263
United States do.	35,000,000	4,221,770	4,705,511	3,147,977
Total in 1820	137,110,611	44,863,344	35,950,470	19,820,240
Do., as below, in 1830	145,192,268	61,323,898	55,559,928	22,114,917
The following shows the state of the banks in each of five divisions of the United States territory in 1829. The numbers refer to the list in section 113 :				
New England States Nos. 1—5	30,812,692	7,394,566	4,203,895	2,194,768
Connec. New York and Jersey 6—8	26,585,539	12,737,539	14,594,145	2,841,746
Pennsylvania, Delaware, Maryland and Columbia 9—13	25,566,622	11,274,086	10,850,739	4,170,592
4 Southern States . . . 14—17	17,600,129	12,183,863	6,952,094	3,046,141
7 Western Ditto . . . 18—24	9,629,286	4,684,860	4,180,146	2,686,396
Total of 330 banks, 1830	110,184,268	48,274,194	40,781,119	14,939,643
United States bank	35,000,000	13,048,984	14,778,809	7,175,274
Total	145,192,268	61,323,898	55,559,928	22,114,917
Proportion 7 chief cities*	53,211,605	17,144,422	23,137,129	7,258,025

* Salem, Boston, New York, Philadelphia, Baltimore, Charlestown, and New Orleans.

STATEMENT showing the Weekly Circulation of Bank of England notes, in each of the seven years which follow, viz. 1792, being the year preceding the declaration of war in February, 1793, 1797, being the year preceding their nonconvertibility into gold, at a fixed standard; 1817, as the year of maximum of circulation, the increase from 1797 to 1817 having been progressive; 1822, as the minimum, on the return to convertibility into gold, at the previous standard of 1797; 1825-6, as years of great commercial activity; and 1832, as the year previous to this sheet going to press. The blank lines are drawn to show the periods when the National Debt, Dividends, or Annuities are payable. On the fifth of January and July they amount to about £8,000,000 at each period, while an increased issue of about £2,000,000 of notes is seen to suffice. The April and October payments are about £5,500,000 each.

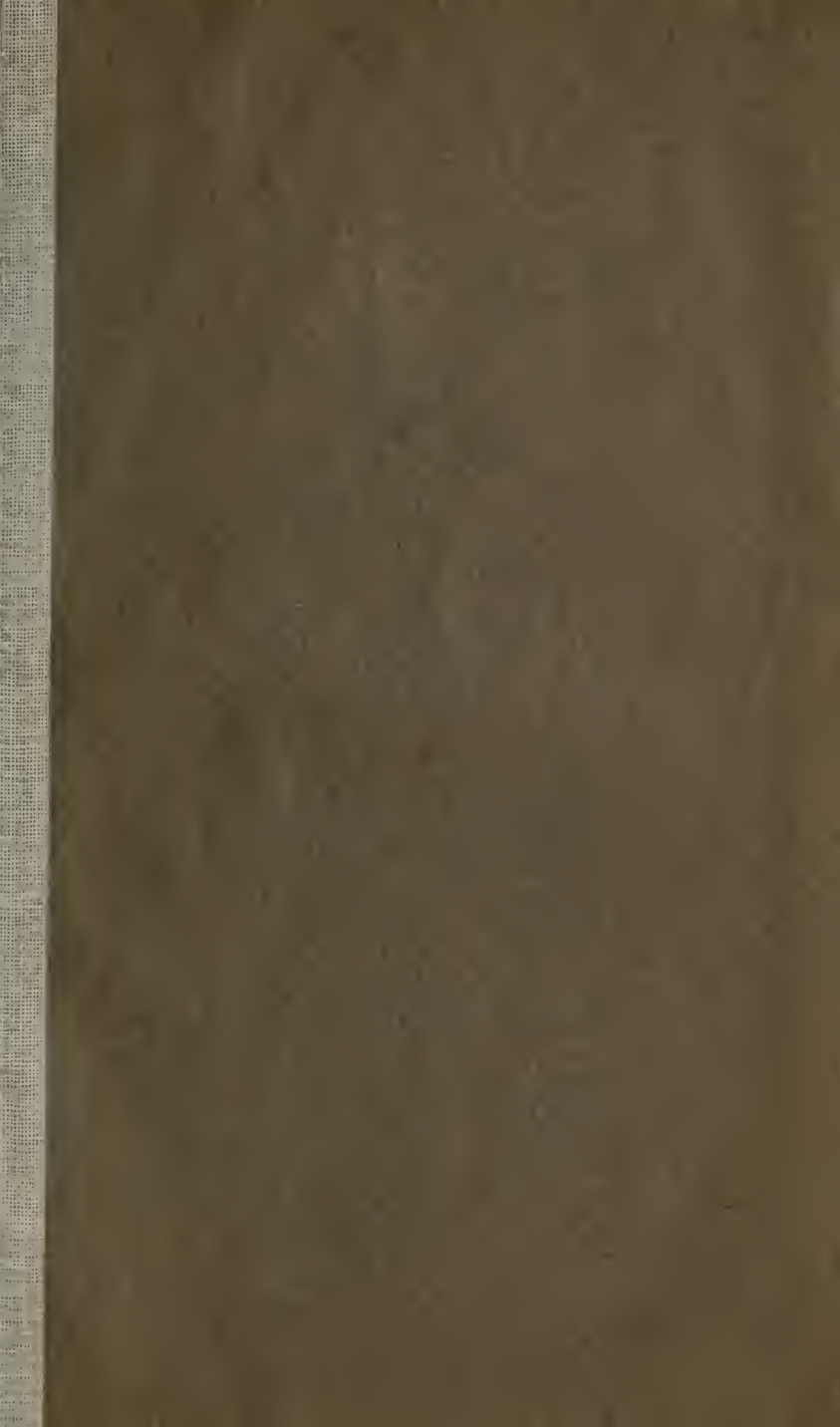
	1792.	1797.	1817.	1822.	1825.	1826.	1832.
	£	£	£	£	£	£	£
Jan. 7	10,358,730	9,185,520	23,950,510	16,950,147	21,790,472	24,120,416	16,495,053
14	10,818,710	9,893,340	28,372,199	20,764,268	22,337,332	26,104,904	18,796,825
21	11,017,540	10,550,830	28,175,531	20,211,461	22,328,627	25,013,791	19,470,453
28	11,065,770	10,024,740	28,055,261	19,673,545	21,960,334	24,255,925	19,398,387
Feb. 4	11,335,940	9,667,466	27,703,811	19,211,845	21,931,937	23,673,737	19,157,008
11	11,428,920	9,431,550	27,386,121	19,034,229	21,307,879	23,450,151	18,796,570
18	11,539,060	9,137,950	27,518,561	18,679,243	21,234,674	24,466,510	18,451,810
25	11,148,500	8,640,250	27,326,221	18,348,009	21,060,145	24,955,050	18,143,070
Mar. 3	11,871,760	10,416,510	27,182,621	18,387,046	20,342,417	25,115,173	17,898,310
10	11,707,400	10,388,640	26,876,061	17,803,676	19,875,858	24,375,453	17,587,410
17	11,442,850	9,999,210	26,593,571	17,709,606	19,560,433	24,164,274	17,414,590
24	11,596,290	10,506,320	26,744,801	17,467,141	19,611,349	24,060,901	17,388,450
31	11,546,080	10,946,020	26,912,667	17,388,481	20,328,980	24,161,171	17,605,720
April 7	11,649,150	11,559,910	26,400,271	17,149,301	20,687,517	24,947,796	17,655,170
14	11,932,330	12,618,510	29,071,621	19,025,399	21,060,103	25,562,055	18,905,450
21	12,387,930	12,127,770	28,936,241	18,583,121	20,717,044	25,569,374	18,965,130
28	12,415,530	13,055,800	28,666,041	18,105,998	20,536,633	24,482,967	18,875,430
May 5	12,415,580	13,599,060	28,373,961	17,798,295	20,500,259	23,654,000	18,988,430
12	12,068,510	12,217,700	28,040,701	17,461,161	20,046,091	22,976,215	18,634,610
19	11,896,180	11,969,250	27,927,361	16,984,938	19,723,489	22,298,814	17,863,660
26	11,585,560	10,892,870	27,964,981	17,036,996	19,653,012	21,909,490	17,777,700
June 2	11,406,840	11,240,910	27,169,441	16,505,296	19,298,202	21,355,405	17,375,300
9	11,327,590	11,236,770	26,449,790	16,785,480	18,639,892	20,878,408	17,063,360
16	11,161,940	10,982,640	26,414,580	16,304,807	18,327,736	20,852,693	16,959,760
23	11,126,330	10,290,800	26,060,050	16,404,930	18,372,369	21,045,575	16,582,660
30	11,494,890	10,778,100	26,560,660	17,005,527	19,038,339	20,787,013	16,754,870
July 7	11,539,880	10,781,960	25,800,260	16,834,794	21,714,838	22,630,821	16,731,560
14	11,903,330	11,381,670	30,686,720	20,896,904	21,763,418	23,564,518	18,652,580
21	11,926,670	11,262,490	30,759,300	20,579,130	21,198,818	22,371,630	18,876,930
28	11,822,530	11,240,100	30,646,840	19,748,395	20,794,730	22,332,220	18,846,270
Aug. 4	11,737,120	11,111,330	30,920,360	19,287,790	20,157,200	22,633,454	18,753,820
11	11,566,180	11,466,560	30,374,260	18,833,458	19,738,770	21,983,284	
18	11,350,130	10,955,220	30,112,650	18,503,576	19,589,056	21,660,961	
25	11,005,660	10,568,210	29,971,699	18,498,856	19,290,570	21,388,029	
Sept. 1	11,306,240	11,439,180	29,543,710	17,464,796	19,028,070	21,421,297	
8	10,975,810	11,031,770	28,938,560	17,149,134	18,517,202	21,132,437	
15	10,787,650	10,716,230	28,712,160	17,540,955	18,252,171	20,653,131	
20	10,999,840	10,655,850	28,527,061	16,796,585	18,009,781	20,264,364	
28	10,852,080	10,654,330	28,559,511	16,798,699	18,506,562	20,408,194	
Oct. 6	10,966,340	10,509,840	28,925,911	17,231,846	18,173,445	19,534,501	
13	10,999,690	11,780,610	29,293,891	16,693,871	19,686,586	20,654,313	
20	11,489,330	12,116,960	30,502,360	18,387,096	19,027,460	21,050,060	
27	11,491,630	12,451,420	29,981,610	17,991,058	18,692,228	20,375,943	
Nov. 3	11,474,030	11,983,330	29,658,950	17,753,077	18,497,423	20,451,838	
10	11,416,970	11,677,550	29,544,611	17,456,991	18,031,872	20,547,490	
17	11,117,130	11,313,880	29,446,071	17,382,866	17,594,301	20,416,250	
24	10,894,620	11,215,330	22,050,230	17,218,660	17,464,890	19,906,857	
Dec. 1	10,981,970	10,688,660	28,698,540	17,457,244	17,477,294	19,301,328	
8	11,200,850	11,127,510	28,465,490	16,370,602	18,037,966	19,081,617	
15	11,083,740	10,759,930	27,967,590	16,088,529	23,942,827	19,049,078	
22	11,230,810	11,260,250	27,770,990	16,642,042	25,611,806	19,084,909	
29	11,289,250	11,139,080	27,601,180	19,483,697	25,709,526	19,040,738	

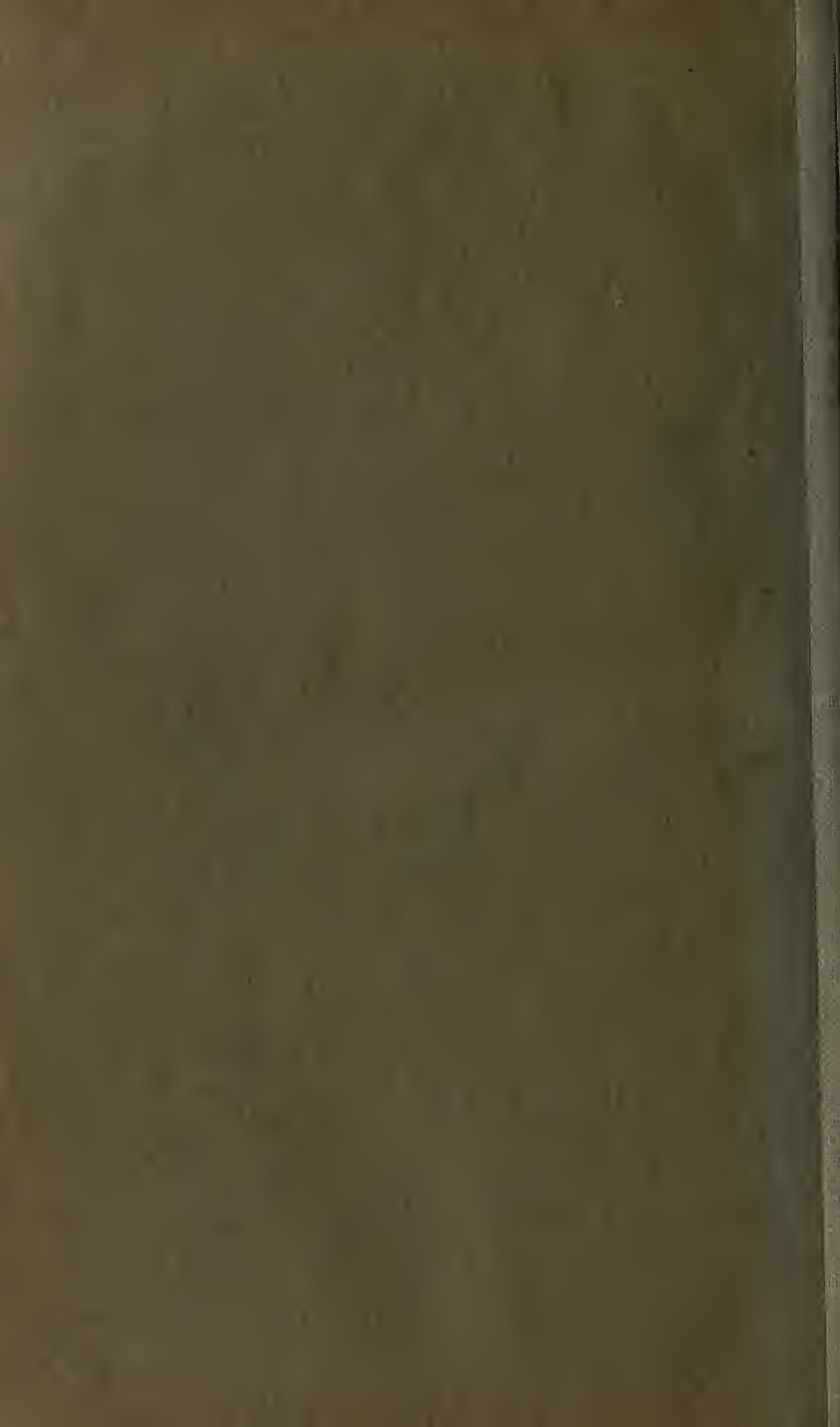
STATEMENT showing the liabilities and assets of the Bank of England, at the annual settling day, on the 28th of February, in each of the fifty-five years, 1778—1832, as laid by the Directors of the Bank before the Parliamentary Committee on the Bank of England Charter, in the session of 1832; to which is here added a statement of the Income and Expenditure of the Government in

Years.	On the 5th of January, 1817, the Exchequer of Ireland was united with that of Great Britain; and, since that date, no separate account of the expenditure of Ireland has been kept: the Revenue, since 1817, has averaged about 4,000,000l. per annum, included, since 1816, in col. No. 1. Previous to 1817 cols. 1 and 2 exhibit the income and expenditure of Great Britain only. In 1815 the Revenue of Ireland was 7,334,786l.; and, since that year, taxes have been repealed and reduced in the United Kingdom equal to 34,000,000l. per annum.			Circulation.		Deposits.	Total Liabilities.
					£	£	£
1778				£1 and £2 notes first issued under act of 37 Geo. III. cap. 28, dated March 3, 1797.	7,440,330	4,662,150	12,102,480
9					9,012,610	4,358,160	13,370,770
1780					8,410,790	4,723,890	13,134,680
1					7,092,450	5,796,830	12,889,280
2					8,028,880	6,130,300	14,159,180
3					7,675,090	4,465,000	12,140,090
4					6,202,760	3,903,920	10,106,680
5					5,923,090	6,669,160	12,592,250
6					7,581,960	6,151,660	13,733,620
7					8,329,840	5,902,080	14,231,920
8					9,561,120	5,177,050	14,738,170
9					8,807,210	5,537,370	15,344,580
1790					10,040,540	6,223,270	16,263,810
1					11,439,200	6,364,550	17,803,750
2					11,307,380	5,523,370	16,830,750
3					11,888,910	5,346,450	17,235,360
4					10,744,020	7,891,810	18,635,830
5					14,017,510	5,973,020	19,990,530
6					10,729,520	5,702,360	16,431,880
7					9,674,780	4,891,530	14,566,310
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9							
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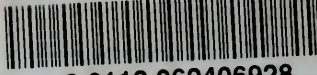
each year since 1784; and of Money raised by Loans and funding of Exchequer Bills, in each year since the commencement of the war in February, 1793; and also of the amount of Exchequer Bills outstanding at the end of each of the forty-seven years, 1785—1831; and of the value of gold coined within each of the seventy-eight years before mentioned.

Years.	SECURITIES.		Coin and Bullion.	Total Assets.	Balance in favor of the Bank.	Amount of Exchequer Bills outstanding.	Amount of Gold Coined.
	Public.	Private.					
	£	£	£	£	£	£	£
1778	7,898,292	3,322,228	2,010,690	13,231,210	1,128,730		350,438
9	8,862,242	2,073,668	3,711,150	14,647,060	1,276,290		1,696,117
1780	9,145,659	1,755,371	3,581,060	14,482,090	1,347,410		none.
1	8,640,073	2,546,007	3,279,940	14,466,080	1,576,800		876,795
2	10,346,055	3,448,015	2,157,860	15,951,930	1,792,750		698,074
3	10,016,349	2,779,431	1,321,190	14,116,970	1,976,880		227,083
4	7,789,291	3,829,929	655,840	12,275,060	2,168,380		822,126
5	7,198,564	4,973,926	2,740,820	14,913,310	2,321,060	9,481,423	2,488,106
6	6,836,459	3,516,781	5,979,090	16,332,330	2,598,710	9,358,387	1,107,382
7	7,642,587	3,716,463	5,626,690	16,985,740	2,753,820	9,524,177	2,849,057
8	7,833,857	4,030,653	5,743,440	17,607,950	2,869,780	10,953,474	3,664,174
9	8,249,582	2,711,108	7,228,730	18,189,420	2,844,840	12,101,504	1,530,711
1790	8,347,387	1,984,733	8,633,000	18,965,120	2,701,310	14,334,480	2,660,521
1	10,380,358	2,222,282	7,869,410	20,472,050	2,668,300	12,857,156	2,456,567
2	9,938,799	3,129,761	6,468,060	19,536,620	2,705,870	14,449,889	1,171,863
3	9,549,209	6,456,041	4,010,680	20,015,930	2,780,570	17,954,065	2,747,430
4	9,950,756	4,573,794	6,987,110	21,511,660	2,875,830	19,758,109	2,558,895
5	13,164,172	3,647,168	6,127,720	22,939,060	2,948,530	24,972,616	493,416
6	12,951,812	4,188,028	2,539,630	19,679,470	3,247,590	15,795,266	464,680
7	11,714,431	5,123,319	1,086,170	17,923,920	3,357,610	16,525,573	2,000,297
8	11,241,333	5,558,167	5,828,940	22,628,440	3,383,710	17,669,465	2,967,565
9	11,510,677	5,528,353	7,563,900	24,602,930	3,511,310	24,222,582	449,962
1800	13,975,663	7,448,387	6,144,250	27,568,300	3,661,150	31,898,878	189,937
1	15,958,011	10,466,719	4,640,120	31,064,850	4,105,730	25,185,241	450,242
2	14,199,094	7,760,726	4,152,950	26,112,770	4,067,680	18,436,295	437,019
3	9,417,887	14,497,013	3,776,750	27,691,650	4,321,480	23,107,615	596,445
4	14,684,686	12,314,284	3,372,140	30,371,110	4,616,450	29,516,406	718,397
5	16,889,501	11,771,839	5,883,800	34,543,190	4,590,400	31,005,210	54,668
6	14,813,599	11,777,471	5,987,190	32,578,260	4,867,350	31,175,942	405,106
7	13,452,871	13,955,589	6,142,840	33,551,300	4,771,360	36,005,348	none.
8	14,149,501	13,234,579	7,855,470	35,239,550	5,088,730	43,786,718	371,744
9	14,743,425	14,374,775	4,488,700	33,606,900	5,081,090	43,571,575	298,946
1810	14,322,634	21,055,946	3,501,410	38,879,990	5,403,080	42,363,510	310,936
1	17,201,800	19,920,550	3,350,940	40,473,290	5,667,420	47,221,658	312,263
2	22,127,253	15,899,037	2,983,190	41,009,480	6,005,960	51,947,084	none.
3	25,036,626	12,894,324	2,884,500	40,815,450	6,336,340	54,302,987	519,722
4	23,630,317	18,359,593	2,204,430	44,194,340	6,937,800	64,776,381	none.
5	27,512,804	17,045,696	2,036,910	46,595,410	7,631,510	66,719,432	none.
6	19,425,780	23,975,530	4,640,880	48,042,190	8,639,680	51,006,687	none.
7	25,538,808	8,739,822	9,680,970	43,959,600	5,736,090	62,025,124	4,275,337
8	26,913,360	3,991,970	10,055,460	40,960,790	5,192,270	48,871,205	2,862,374
9	22,355,115	9,099,885	4,184,620	35,639,620	4,099,550	41,929,879	3,574
1820	21,715,166	4,472,322	4,911,050	31,098,549	3,520,880	33,700,988	949,516
1	16,010,990	4,785,280	11,869,900	32,666,170	3,158,360	32,726,123	9,520,760
2	12,478,133	3,494,947	11,057,150	27,030,230	3,674,940	36,645,240	5,356,787
3	13,658,829	4,660,901	10,384,230	28,703,960	3,130,620	34,989,508	759,748
4	14,341,127	4,530,873	13,810,060	32,682,060	2,847,220	38,084,514	4,065,075
5	19,447,588	5,503,742	8,779,100	33,730,430	2,807,890	32,194,233	4,580,919
6	20,573,258	12,345,322	2,459,510	35,378,090	2,974,240	25,563,850	5,896,461
7	18,685,015	4,844,515	10,159,020	33,688,550	2,996,280	28,153,050	2,512,637
8	19,818,777	3,762,493	10,347,290	33,928,560	2,749,710	27,862,750	1,277,784
9	19,736,665	5,648,085	6,835,020	32,219,770	2,794,960	25,607,600	2,271,158
1830	20,038,890	4,165,500	9,171,000	33,375,390	2,561,510	27,271,650	
1	19,927,572	5,281,408	8,217,050	33,426,030	2,612,035	27,133,350	
2	18,497,448	5,836,042	5,293,150	29,626,640	2,637,760		
	8	9	10	11	12	13	14





UNIVERSITY OF ILLINOIS CHAMPAIGN



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